C.P.U. No. 203

COMMITTEE ON PUBLIC UNDERTAKINGS
(1971-72)

(FIFTH LOK SABHA)

TWENTIETH REPORT

SHIPPING CORPORATION OF INDIA LIMITED
Ministry of Shipping and Transport

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

April, 1972/*Vaisakha*, 1894

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1971-72)

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13. Choudhary A. Mohammad
14. Shri Dahyabhai V. Patel
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2. Shri M. A. Soundararajan—*Deputy Secretary*
3. Shri M. N. Kaul—*Under Secretary.*

---

*Elected w.e.f. 11-8-1971 in the vacancy caused on the resignation of Dr. V. K. R. Varadaraja Rao, M.P. on 29-7-1971.

†Ceased to be Member of the Committee with effect from 3-4-1972 consequent on retirement from Rajya Sabha.

COMMITTEE ON PUBLIC UNDERTAKINGS 1971-72

Composition of Study Group IV on Trading Aviation and Shipping Undertakings

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4. Shri G. Bhuvarahan
5. Shri Khemchandbhai Chavda
6. Dr. Kailas
7. Shri P. Parthasarathy

†Ceased to be Member of the Committee with effect from 3-4-1972 consequent on retirement from Rajya Sabha.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Twentieth Report on the Shipping Corporation of India Ltd.

2. This Report is based on the comprehensive appraisal of the working of the Shipping Corporation of India Ltd. done by the Comptroller and Auditor General of India, as contained in the Central Government Audit Report (Commercial), 1970, Part III, and also on an examination in depth of the working of the Corporation upto the year ending 31st March, 1971.

3. The examination of the Shipping Corporation of India Ltd. was taken up initially by the Committee on Public Undertakings in 1970-71. The Committee on Public Undertakings (1971-72) took evidence of the representatives of the Corporation on the 22nd January, 1972 and of the Ministry of Shipping and Transport on the 24th January, 1972.

4. The Committee on Public Undertakings considered and adopted the Report at their sitting held on the 21st April, 1972.

5. The Committee wish to express their thanks to the Ministry of Shipping and Transport and the Shipping Corporation of India Ltd. for placing before them the material and information they wanted in connection with the examination of the Shipping Corporation of India Ltd. They wish to thank in particular the representatives of the Ministry and the Corporation who gave evidence and placed their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered to them by the Comptroller and Auditor General of India in connection with the examination of the Shipping Corporation of India Ltd.

M. B. RANA,

Chairman,

Committee on Public Undertakings.

NEW DELHI;

April 24, 1972

Vaisakha 4, 1894 (S)

I

INTRODUCTORY

A. Historical Background

1·1. The Sub-Committee of the Reconstruction Policy Committee set up in 1945 by the Government of India to consider the statements on post-war shipping policy recommended inter alia that that targets to be reached during the next five to seven years should be—

100 percent of the purely coastal trade of India

75 percent of India's trade with Burma and Ceylon and with the geographically adjacent countries

50 percent of India's distant trades, and

30 percent of the trade formerly carried in Axis vessels in the orient.

In order to achieve the above targets, the Sub-Committee assessed that India needed 2 million gross tons of shipping. In accepting the above recommendations of the Sub-Committee, Government in its policy statement issued in 1947 announced its intention to assist Indian shipping as far as possible in this direction.

1·2. The development of shipping on the lines indicated was initially left to the private companies and the responsibility of Government was limited to rendering assistance to them to achieve the targets laid down. In view of the highly competitive and changing nature of the shipping industry and the widely fluctuating fortunes countenanced by those engaged in this industry particularly during pre-Independence days, private companies were shy of investing any large amounts of money in this industry. Progress in the matter of acquisition of tonnage was, therefore, rather slow in spite of Government assistance. In the circumstances, it was felt that the resources and savings of private enterprise needed to be supplemented by Government. With this end in view and with a view to ensuring the development of Indian shipping with the active cooperation of the private enterprise, Government decided on direct participation in this industry.

1·3. As a result of the decision of State participation referred to in the preceding paragraph, a scheme for setting up three Shipping Corporations in the public sector was mooted during the year 1947-48. It was contemplated that each of the Corporation would have an authorised capital of Rs. 10 crores to be subscribed as under:—

51 percent by Government

26 percent by an existing Shipping Company, and

23 percent by the Public, failing that by Government

1·4. Negotiations for the establishment of the Shipping Corporations were conducted with some of the existing Shipping Companies and eventually an

agreement was reached with the Scindia Steam Navigation Co. Ltd., Bombay, for the incorporation of a company called the Eastern Shipping Corporation Ltd. on the terms and conditions stipulated in the Promoters' Agreement dated the 11th March, 1950, between the Government and the Scindias. Based on these terms the Memorandum and Articles of Association of the proposed Eastern Shipping Corporation were drawn up and registered on the 24th March, 1950. Thus the Eastern Shipping Corporation, the first State-cum-private owned shipping venture came into being with an authorised capital of Rs. 10 crores. In view of the tight monetary conditions then prevailing, the contemplated issue of shares to the public was not made. The Government, therefore, decided to take up 74 percent of the shares, leaving 26 percent to the Scindias.

1·5. By virtue of the Agreement concluded by the Eastern Shipping Corporation with the Scindias on the 18th August, 1950, the latter were appointed as Managing Agents of the former on mutually agreed terms of remuneration.

1·6. The policy of 'mixed ownership' which culminated in the setting up of the Eastern Shipping Corporation as stated above, did not, however find much favour with private shipowners and proposals to set up two other Corporations on similar lines did not make any progress because the companies which were to be associated with them did not evince interest. In the circumstances, it was decided in 1956 to float a second Corporation as a wholly State-owned venture. The Western Shipping Corporation was accordingly registered on the 22nd June, 1956, with an authorised capital of Rs. 10 crores.

1·7. Though the Western Shipping Corporation was registered as a separate entity for purposes of Company Law, it had no separate organisation of its own and the work pertaining to this Corporation was being attended to by the officials and staff of the Eastern Shipping Corporation.

1·8. With the coming into force of the Indian Companies Act, 1956, Scindias ceased to be the Managing Agents of the Eastern Shipping Corporation under Section 325(1) of that Act. The Scindia's share capital was also subsequently repatriated and the Eastern Shipping Corporation also thus became completely state-owned.

1·9. The Estimates Committee of Parliament in its 38th Report recommended that the feasibility of amalgamating the two Corporations may be considered, in view of the fact that the activities of the two Corporations were likely to overlap. Based on the experience of the working of the two Corporations over the years, the Directors of the two Corporations also decided on the 22nd February, 1961, to recommend to the Central Government that action should be taken for the merger of the two Corporations as early as possible as the proposed merger would eliminate duplication of work and would lead to greater economy and efficiency in the long run. It was accordingly decided by the Government of India, by virtue of the "Shipping Corporation Amalgamation Order, 1961", that the two Companies be amalgamated under Section 396 of the Indian Companies Act, 1956, with effect from the 2nd October, 1961. As a result, the undertaking of the Western Shipping Corporation Ltd. stood transferred to and vested in the Eastern Shipping Corporation Ltd. which Company on such transfer came to be known as "THE SHIPPING CORPORATION OF INDIA LIMITED."

B. Objectives

1·10. The basic objectives of the Shipping Corporation are:—

(1) Expansion of fleet with a view to assisting in the fulfilment of India's Five Year Plan in respect of shipping;

(2) Diversification of fleet to cater to changing pattern of India's international trade;

(3) Generation of surpluses for financing expansion;

(4) Helping India's export efforts consistent with requirement of overall economic viability of its operations;

(5) Maximum possible support to Indian Shipbuilding industry;

(6) Handling special shipping assignments in overall national interest;

(7) Building up of sound organisation structure; and

(8) Research in the field of ship-owning and ship operations.

(i) *Development of Shipping/Port*

1·11. The Government's programme for the development of Shipping/Port during the Fourth Five Year Plan is briefly described as under:—

"Shipping tonnage reached the level of 2·14 million GRT (Gross Registered Tonnage) by the end of 1968-69. It is made up of 1·80 million grt of overseas tonnage and 0·34 million grt of coastal tonnage. Ships with a capacity of 0·62 million GRT were on order to be delivered during the Fourth Plan period. At present, the Indian tonnage is catering for about 15 per ent of the overseas trade. While in the case of liner trade, the share of Indian shipping is 40 to 45 per cent, the share is less than 10 per cent in the bulk cargo trade. A provision of Rs. 135 crores has been made for acquisition of ships. By the end of the Fourth Plan it might be possible to reach about 3·5 million GRT of shipping tonnage. This would include about 3·1 million GRT of overseas tonnage and 0·4 million grt of coastal tonnage. Another 0·5 million grt will be on order. The main addition will be in respect of liners, tramps (including bulk carriers) and tankers. It is expected that Indian Shipping would cater for about 40 per cent of country's overseas trade at the end of the Fourth Plan. A provision of Rs. 5 crores has also been made in the Plan for loan assistance to sailing vessels industry, replacement of the training ship "Dufferin", expansion of training facilities and programmes for the welfare of seamen." "Improvement in port and shipping facilities is of vital importance in the promotion of exports, particularly of bulk commodities. The Fourth Plan provides for the development of major ports and their modernisation and re-equipment. Handling, loading and berthing facilities at the ports are being improved. The development of outer harbour facilities in major ports at strategic intervals on India's coast-line will improve bulk handling and attract deep draft heavy tonnage ships. Special attention will also be given to the enlargement of the shipping tonnage in view of the growing volume of foreign trade."

(*ii*) *Fleet*

1·12. The Shipping Corporation started in 1961 with a fleet of 19 vessels of 1·39 lakh GRT. It then operated 6 international cargo liner routes and 2 passenger-cum-cargo services. At present the Corporation owns a fleet of 79 vessels of 8·85 lakhs GRT, representing an increase in tonnage of about 602 per cent over the tonnage in March, 1961. The present tonnage includes oil tankers, bulk carriers and colliers also besides dry cargo vessels and passenger-cum-cargo vessels. At the time of its commencement the Shipping Corporation was operating only 6 overseas cargo liner services. The number of services has increased to 18.

(*iii*) *Services*

1·13. The Corporation is operating at present on all the important routes of the world. Besides its regular services, the Corporation also manages some Government of India vessels viz. m.v. "NICOBAR" and m.v. "ANDAMANS" and continues to man the Government vessels "CHOLUNGA" tss. "YERWA" and mv. "LACCADIVES" which are employed for the traffic of Andaman and Nicobar and the Laccadive groups of Islands. The Corporation also mans and operates Government of India Light House vessels mv. "SAGAR DEEP" and the Dredger fleet of Government for dredging operations at Indian Ports.

1·14. Five of the Corporation's vessels are employed for the passenger and Cargo Services between the mainland and the Andaman Nicobar and Laccadive Islands, for the inter-island services and for the passenger-cum-cargo service between Rameshwaram and Ceylon.

1·15. The Corporation also acts as agents for handling vessels chartered by the STC, Hindustan Steel Ltd., and a few other Government and Cooperative Organisations. It also acts as general agents for the vessels for the National Shipping Line and of Martrans of U.A.R. and handles the work of Exhibition cargoes on behalf of the Videsh Vyapar Mantralaya/Ministry of Foreign Trade, Government of India.

1·16. In addition to liner services, the Corporation operates colliers, tankers and a timber carrier on the Indian coast carrying bulk commodities like coal, salt, oil and timber. The Corporation's tankers, ore/oil/grain carrier and bulk carriers also operate in the international market. The Corporation also operates several passenger-cum-cargo vessels.

(*iv*) *Promotional Shipping Services*

1·17. The Shipping Corporation of India introduced 5 promotional shipping services in 1968, *viz.*, from East coast of India to West Asian Gulf, India/West, Asia (Red Sea), from West coast of India to Australia *via* Indonesia, West coast India to West Asia (Gulf), and West Coast of India to East Africa. The Shipping Corporation has also started one more promotional service to Mauritius in April, 1970.

1·18. The management of the Jayanti Shipping Co. was taken over by the Government of India on 10th June, 1966, under an ordinance issued by the President of India. The Shipping Corporation was appointed the Managing

Agents to look after the affair of the Company. With the promulgation on 17th October, 1971 of another ordinance, the Shipping Corporation became the owner of the entire share capital of Jayanti Shipping Co., except one hundred shares, and ceased to be the Managing Agents of the Company. This Company is now a subsidiary of the Shipping Corporation.

The Jayanti fleet consisting of 16 vessels totalling 2·95 lakhs GRT is operating satisfactorily and profitably.

C. Examination of the Corporation by the Parliamentary Committees

1·19. The working of the Eastern Shipping Corporation Limited and the Western Shipping Corporation Limited was first examined by the Estimates Committee in 1958-59 and their recommendations/conclusions are contained in their 38th Report (2nd Lok Sabha). The replies furnished by Government indicating the action taken by them on the aforesaid Report were considered by the Estimates Committee (1960-61) and a further Action Taken Report (135th Report, Second Lok Sabha) was presented to the House.

1·20. The working of the Shipping Corporation of India Limited was examined by the Committee on Public Undertakings (Third Lok Sabha) and their recommendations are contained in their Third Report which was presented to the House on 9th April, 1965. The replies furnished by the Government indicating the action taken by them on the aforesaid Report were considered by the Committee on Public Undertakings (1967-68), and their Action Taken Report (Eighteenth Report, Fourth Lok Sabha) was presented to the House on 28th April, 1968.

II

TONNAGE—TARGETS AND ACHIEVEMENTS

A. Country's Plan Targets and Achievements

2·1. The following table indicates the country's planned tonnage and the actual achievement :—

Plan/Year	Target		(GRT in lakhs) Achievement	
	No. of vessels	GRT	No. of vessels	GRT
First Five Year Plan (1951—56)		6·00	126	4·80
Second Five Year Plan (1956—61) ..		9·01	172	8·58
Third Five Year Plan (1961—66)		13·25	221	15·40
1966-67	Not available		236	18·79
1967-68 ..	,,		239	19·43
1968-69	,,		254	21·43
Fourth Plan—				
1969-70	,,		259	23·39
1970-71	,,		250	24·45
1971-72	,,		256	25·09

2·2. The physical target provisionally fixed for the end of the Fourth Five Year Plan is 40 lakhs GRT. The present tonnage (in operation) in the country is however, 25·09 lakh GRT as on 31st March, 1972, plus firm pending orders of 57 ships of 11·71 lakh GRT. After excluding 2·94 lakh GRT for scrapping, the *net* tonnage inclusive of tonnage on order would come to 33·86 lakh GRT. It will, therefore, be necessary to place further orders for building up about 6·14 lakh tonnes GRT during the Fourth Plan (1969-70) to accomplish the Plan target of 40 lakh GRT.

2·3. During the course of evidence of the Ministry, the Committee enquired about the difficulties, if any, experienced in achieving the Plan-target. The Secretary of the Ministry of Shipping and Transport stated:—

> "The difficulties experienced were firstly, there was such a boom in shipping that the shipyards of the world were filled with orders and there was difficulty in getting offers and finalising orders with them.

Secondly, the price has escalated very much. The economics had to be worked out very carefully. In some categories the cost of ships had gone up to 100 per cent. in the last three years; in other categories 30 to 50 per cent. In these circumstances we have not been able to get about half million tonnes GRT ordered yet. Sometimes the terms are cash payment or a very large amount of down payment. Each deal had to be scrutinised very carefully. Last year, we have done pretty well."

2.4. **The Committee note as against the provisional physical target of 40 lakh GRT by the end of the Fourth Five Year Plan in the country, the country has a total tonnage of 25.09 lakh GRT by 31st March, 1972. Besides there are firm pending orders of 57 ships of 11.71 lakh GRT. After excluding 2.94 lakh GRT for scrapping, the country's net tonnage would come to 33.77 lakh GRT leaving a gap of about 6.23 lakh tonnes to be made up before the end of the Fourth Plan. The Committee were informed that the main difficulties in the way of building up of country's tonnage to the targetted level are that there has been a boom in the Shipyards of the world and they are unable to cope with the growing requirements of tonnage; secondly, the price of Ships has shot up during the last three years; and thirdly, Shipyards now insist on cash payment. The Committee do not consider these difficulties as unsurmountable and recommend that concerted measures may continue to be taken by Government to ensure that the target of country's tonnage of 40 lakh GRT is achieved by the end of the Fourth Plan.**

B. Corporation's Tonnage

2·5. The Corporation has made a substantial contribution to the development of the country's tonnage particularly during the Third Plan period and thereafter. On 31st March 1961, the Corporation had only a small fleet of 17 ships of a total GRT of 1·26 lakhs. At present, the Corporation has a fleet of 79 ships of a total GRT of 8·85 lakh, representing an increase of about 602 per cent. over the tonnage in March, 1961. The following figures would show the pace of expansion in the Corporation's tonnage:

	No. of Ships	G.R.T. (in lakh tons)	D.W.T. (in lakh tons)
31-3-61	17	1·26	1·73
31-3-63	27	2·02	2·83
31-3-66	35	3·04	4·33
31-3-67	43	3·82	5·38
31-3-68	52	4·52	6·48
31-3-69	63	5·68	8·31
31-3-70	71	6·99	10·60
31-3-71	77	8·66	13·55
1-2-72	79	8·85	13·80

2·6. During the evidence, the Committee enquired how the Corporation proposed to achieve the tonnage of 15·47 lakh GRT (24·30 DWT) by 1975 when the production capacities of the indigenous shipyards were fully booked for several years past and for many years ahead and when most of the foreign shipyards were now demanding cash payment. The Chairman, SCI clarified that the target of 15·47 lakh GRT represented 8·85 lakhs GRT of 79 vessels in operation and 6·62 lakh GRT of 31 vessels ordered aboard. The witness assured that there was no doubt that the target of 15·47 lakh GRT would be achieved by 1975 and the ships would be delivered in accordance with the terms of the contract. The Committee were further informed that as on 22nd January 1972 ships on order are as under :—

Cargo ships	15
Bulk Carriers	9
Tankers	5
Passenger Vessels	2
Total	31

2·7. Out of these 31 vessels on order 3 vessels were expected to be delivered in 1972; 14 vessels in 1973; 8 vessels in 1974 and 6 vessels in 1975. The Committee were also informed that in respect of each of the 31 vessels foreign exchange to the extent required had already been arranged.

2·8. The Committee were informed that against the expectation of tonnage of 12 lakh GRT by 1970-71, tonnage of the Corporation at the end of March, 1971 had been to the tune of 8 lakh GRT only mainly because of the difficulty in arranging adequate credit facilities on terms acceptable to the Government of India.

2·9. The percentage of Corporation's tonnage to overall country's tonnage in terms of GRT has increased as under :—

Period	% of Public Sector tonnage to country's tonnage	% of Corporation's tonnage to country's tonnage
First Five Year Plan (1951—56)	..	10·35
Second Five Year Plan (1956—61)	18·95	14·71
Third Five Year Plan (1961—66)]	21·77	19·75
1966-67	22·91	20·35
1967-68	25·99	23·22
1968-69	28·88	26·50
1969-70	32·18	29·88
1970-71	36·96	35·32
1971-72	48·93	*35·25

*If Jayanti Shipping's tonnage is also taken into account, the Corporation's percentage comes to 47·02.

2·10. The Corporation drew up its own plans to synchronise with the respective national development plans. Their first plan was for the years 1961-66 and their second plan was for the years 1966-71. The Corporation's targets and achievements were as under:—

I. Corporation 1st Plan (1961-66)

Type of Vessels	Target		Achievement Actual	
	No. of Vessels	GRT	No of Vessels	GRT
Dry Cargo ..	11	93,500	18	1,40,460
Overseas Tankers	4	66,000	2	50,529
Coastal Tanker (Replacement)	1	7,500	..	..
Bulk Carriers	2	26,000		..
Passenger (Replacement 1 Acquisition 1)	2	8,500	1	970 (Acquisition)
	20	2,01,500	21	1,91,959

Type of Vessels	Achievement Pending Orders		Achievement Total		Shortfall (—)/ Excess (+)	
	No of vessels	GRT	No of Vessels	GRT	No. of Vessels	GRT
Dry Cargo	16	1,45,950	34	2,86,410	(+)23	1,92,910
Overseas Tankers			2	50,529	(—)2	15,471
Coastal Tanker (Replacement)	..	..	..	..	(—)1	7,500
Bulk Carriers	3	69,000	3	69,000	(+)1	43,000
Passenger (Replacement 1 Acquisition 1)			1	970	(—)1	7,530
	19	2,14,950	40	4,06,909	(+)20	2,05,409

II. Corporation's Second Plan (1966—71)

Type of Vessels	Tonnage as on 1st April, 1966		Pending orders as on 1st April, 1966		Target for acquisition (1966—71)		Estimated Scrappings (1966—71)	
	No. of Vessels	GRT	No. of Vessels	GRT	No. of Vessels	GRT	No. of Vessels	GRT
Dry Cargo ..	28	2,20,069	16	1,45,950	27	2,28,200	1	4,519
Bulk Carriers	..	..	3	69,000	3	1,32,000	..	..
Tankers	4	66,074	..		9	3,40,000	1	7,352
Passenger-cum-cargo	3	18,101	..	..	10	39,100	3	18,101
	35	3,04,244	19	2,14,950	49	7,39,300	5	29,972

Type of Vessels	Target for end of 1966—71		Tonnage as on 1st March, 1970		Pending orders as on 1st March, 1970	
	No. of Vessels	GRT	No. of Vessels	GRT	No. of Vessels	GRT
Dry Cargo	70	5,89,700	55	4,24,034	24	2,29,500
Bulk Carriers	6	2,01,000	4	1,15,878	2	1,12,000
Tankers ..	12	3,98,722	6	1,28,084	1	50,000
Passenger-cum-cargo	10	39,100	6	30,804	2	18,000
	98	12,28,522	71	6,98,800	29	4,09,500

2·11. The Corporation's target for the end of IV Plan to be achieved by 1974 was 70 Dry cargo vessels, 7 passenger cargo vessels, 10 bulk carriers and 6 tankers *i.e.*, 93 vessels of 11·23 lakh GRT. As against this, the Corporation's actual tonnage as on 31st March 1971 was 77 vessels of 8·66 lakh GRT.

By 31st July 1971, the Corporation's tonnage increased to 78 vessels of 8·75 lakh GRT. The year-wise details are given below :—

(G.R.T. in lakhs)

	Dry Cargo vessels		Passenger-cum-cargo vessles		Bulk carriers		Tankers		Total	
	No.	GRT	No.	GRT	No.	GRT	No.	GRT	No.	GRT
Target for the end of IV Plan i.e. 31-3-1974 ..	70	5·73	7	0·37	10	3·49	6	1·64	93	11·23
Actual Tonnage										
on 31-3-1968 ..	42	3·20	4	0·27	1	0·24	5	0·81	52	4·52
on 31-3-1969 ..	51	3·89	4	0·27	3	0·71	5	0·81	63	5·68
on 31-3-1970 ..	55	4·29	6	0·31	4	1·16	6	1·28	71	6·99
on 31-3-1971	58	4·50	6	0·31	6	2·07	7	1·75	77	8·66
Pending Orders										
On 31-3-1971	16	1·52	2	0·18	9	3·61	5	1·41	32	6·72
NOTE—SCI's tonnage on 31-7-1971 ..	59	4·61	6	0·31	6	2·07	7	1·76	78	8·75

2·12. To achieve the Fourth Five Year Plan target and to meet new requirements of shipping tonnage, the Corporation plans to place orders for 14 vessels (GRT 5·46 lakh tonnes). Details of pending and proposed orders for various types of vessels are given below :—

(G.R.T. in lakhs)

Type of vessels	Existing fleet		Present pending Orders				Proposed orders			
			Delivery in IV Plan		Delivery in V Plan		Delivery in IV Plan		Delivery in V Plan	
	No.	GRT	No.	GRT	No.	GRT	No.	GRT	No.	GRT
Dry Cargo	59	4·61	12	1·16	4	0·36	3	0·27	3	0·27
Bulk carriers ..	6	2·07	4	1·59	5	2·02			1	1·00
Tankers	7	1·76	1	0·11	4	1·30	..	..	7	3·92
Passenger-cum-cargo ..	6	0·31	1	0·09	1	0·09	..	..	..	..
Total ..	78	8·75	18	2·95	14	3·77	3	0·27	11	5·19

In addition to the above, the Corporation, it has been stated, would have to keep in touch with fresh developments and ships may have to be ordered to meet new requirements for shipping tonnage. Among these, may be ships required to import crude oil for the proposed North West Refinery and

Slurry carriers for the Kundermukh project under consideration. Additional ships may also be needed for the Andaman traffic.

2·13. The Planning Group set up by the Planning Commission for the formulation of the Third Plan proposals had recommended that efforts should be made to secure for the public sector 50 per cent. of the country's total tonnage holding by 1975-76. In March, 1965, the Committee on Public Undertakings in their Third Report (Third Lok Sabha) agreed with this recommendation and suggested that "it should be determined as to what share of the country's tonnage should be held in the public sector by 1975-76, and steps taken tc achieve it by the targeted date." Government, in their reply in September, 1967, stated that the Corporation would expand its tonnage to about 12 lakh GRT by 1970-71 subject to availability of rupee sources and foreign exchange and the shipping tonnage in public sector would then be 40 per cent. of the total Indian tonnage. It was further stated by Government that it should be possible for the shipping tonnage in the public sector to attain the target of 50 per cent. by 1975-76.

2·14. No specific targets were fixed for the public sector in the formulation of the various plans. It is also seen that in the Fourth Plan (1969-74) proposals formulated by the Ministry of Transport and Shipping, no specific target has been laid down for the public sector or the Corporation in particular. In this connection, the Ministry had clarified the position to the Planning Commission in April, 1969 as follows :—

> "The difficulty is that the availability of credit from abroad is very limited and it is not possible to say with any degree of certainty as to which company will be able to secure credit for what type and size of ships on terms which would be acceptable.... Accordingly, there is no likelihood of expansion programme of any Company whether in the private sector or in the public sector being realised in actual practice. The only practical method, therefore, is to consider and sanction within the overall frame of the Plan target, individual proposal of each company as and when they are able to secure suitable terms and approach Government. This is exactly what has been done in the past and is also proposed to be done during the Fourth Plan.

2·15. The Ministry stated in May, 1970 that it was hoped that the public sector in general (with the Company included in particular) will be able to reach the position of owning about 50 per cent of the target of a total tonnage of 4 million GRT at the end of the plan.

2·16. During evidence, the Committee enquired the reasons for not fixing specific targets for the public sector in the formulation of the various plans for the acquisition of tonnage. In reply, the Secretary of the Ministry stated :—

> "While fixing plan targets we make an assessment in consultation with the Ministries of Foreign Trade, Petroleum and Chemicals and others as well as take into account the trend of the traffic in ports, the totality of different types of ships, the tramp vessels,

liner vessels, tankers required. That gives us a general idea of the pattern. To break it down into public and private sector is not possible. Ships are acquired largely from foreign countries. We are not in the happy position of being able to pay cash down for ships. The terms for acquisition are getting more and more stringent depending on the demand on shipyards. If it is Government to Government aid, the position is different. For instance, UK, W. Germany and Japan gave us credit which we have utilised. The second thing is to find out whether suppliers' credit is available. Previously it used to be about 10 per cent down, now it is 20 per cent down, 8 years credit.

If there is Government to Government credit, it is well and good. Otherwise, it is supplier's credit on commercial terms prevalent at the time. After we have a general idea, the question is gone into in detail. It depends on the negotiating capacity of the shipping companies also. Government as such does not buy any ship. Then we have to break it down individual ships, the specifications required, speed, capacity. This is determined by the type of trade it handles. Then the Corporation as well as other Indian companies have to contact the shipyards, brokers and find out if ships of this specification can be built and what credit facilities would be available. After scrutiny of the economic viability and availability of foreign exchange, rupee funds, it is finalised. So at the planning stage it is difficult to divide it into so much public sector and so much private sector. It depends to a large extent on the terms of the credit available to the concerned party which they negotiate. We have always had this idea that at least fifty per cent of the target should be in the public sector. If you take the Shipping Corporation, the Jayanti and the Mogul Line, we have come up to 49 per cent."

2·17. The Management have explained (November, 1969) that the Corporation has for several years past and for many years ahead, fully booked the production capacities of the indigenous shipyards and has also availed to the maximum extent possible credit facilities offered by foreign shipyards, besides tapping fully the opportunities of acquiring suitable second-hand vessels. The pace of expansion of the fleet of the Corporation has been such that it would have been hardly possible to improve upon its record further.

2·18. As far as the revised Fourth Plan (1969-74) proposals are concerned, according to the provisional programme drawn up by the Corporation for expansion of its tonnage, orders for tonnage aggregating 12 lakh tonnes are proposed to be placed during the Plan period. The exact target to be achieved, it has been stated, would depend on what orders can be placed within the next one year depending upon the expansion programme of the Corporation fixed from time to time keeping in view the changed pattern/requirement of India's international trade, availability of deferred credits from foreign shipyards/Government and building potential of India and credit giving foreign shipyards.

2·19. The overall Fourth Plan target of the Corporation is need based and is also linked to the national target and financial possibilites. Within these parameters, the shipping Corporation makes efforts to locate suitable shipyards for placing orders. However, the actual timing of the placing of orders depends on several factors like availability of berths in shipyards for booking, availability of loans/credit facilities from foreign shipyards, Governments, etc. and the availability of rupee funds with the Shipping Development Fund Committee. Therefore, no annual target is fixed for the purpose of ordering tonnage. Every opportunity which becomes available in this connection has to be utilised within the overall Fourth Plan target.

The Corporation expects to generally realise its Fourth Plan target

2.20. **The Committee note that the Shipping Corporation of India has made a substantial contribution to the development of country's tonnage. In terms of percentage as at the end of 1971-72, the Shipping Corporation's tonnage accounts for 35.25 per cent of country's tonnage as against the public sectors' contribution of 48.93 per cent. The Corporation had drawn up its own five year plans synchronising with country's five year plans. Over a period of ten years (1961—71), the Corporation has raised its fleet from 17 ships of 1.26 lakh GRT as on 31-3-1961 to 77 ships of 8.66 lakh GRT as on 31-3-1971 and at present its fleet consists of 79 ships of 8.85 lakh GRT representing an increase of about 602 per cent over the Corporation's tonnage in March, 1961. While the Committee are happy at this pace of expansion, they find that though the Corporation had in their second plan fixed a target of 12.28 lakh GRT to be achieved by 31-3-1971 and a total tonnage of 15.47 lakh GRT by 1975, the Corporation's tonnage as on 1-2-1972 was only 79 ships of 8.85 lakh GRT. There was thus a shortfall of 28 per cent in achievement of target of tonnage leaving a appreciable gap between the targeted and actual tonnage of the Corporation. The Committee were informed that the shortfall was mainly due to non-availability of deferred payment facilities. The Committee have also been informed that the Corporation would be able to fulfil the target of 15.47 lakh GRT by 1975 for which orders had been placed for 31 ships of 6.62 lakh GRT. Of these, 3 ships are expected to be delivered in 1972; 14 vessels in 1973; 8 vessels in 1974 and 6 vessels in 1975.**

2.21. **The Committee recommend that whatever might have been the shortfall in achievement of targets in the past, the Corporation should gear up its machinery suitably and take appropriate action at all levels to achieve the targeted tonnage of 15.47 lakh GRT by 1975. The Committee recommend that Government should provide all facilities to the Corporation in this regard and also keep a watch on the progress of construction of ships so that the delivery schedules as agreed upon are adhered to and the Corporation is able to acquire the vessels in time.**

C. Acquisition of Vessels

2·22. The Company inherited a total fleet of 1·39 lakh GRT (comprising of 14 foreign vessels 1·09 lakh GRT and 5 Indian vessles 0·30 lakh GRT).

It has since acquired Indian and foreign vessels, both second-hand and new, as per details given below :—

Year ending 31st March	New Vessels				Second-hand Vessels		Total	
	Foreign		Indian		F			
	No.	GRT	No.	GRT	No.	GRT	No.	GRT
1962	..	..	..	..	1	6,626	1	6,626
1963	..	..	3	27,532	4	26,796	7	54,328
1964	1	21,717	2	18,315	..	..	3	40,032
1965	..	..	..	..	3	21,165	3	21,165
1966	2	37,768	2	18,749	1	970	5	57,487
1967	6	55,835	1	9,371	2	20,396	9	85,602
1968	1	23,607	3	28,104	6	24,510	10	76,221
1969	4	63,696	2	18,660	5	33,212	11	1,15,568
1970	5	1,11,828	3	19,975	..	..	8	1,31,803
1971	3	1,38,847	2	18,596	1	7,115	6	1,64,558
1972	..	..	2	18,520	..	..	2	18,520
	22	4,53,298	20	1,77,822	23	1,40,780	65	7,71,910

2·23. One of the objectives of the Corporation was the expansion of its tonnage so that the shipping target laid down by the Government in its various Five Year Plans may be achieved expeditiously. In order to achieve this objective, the Corporation had fully booked the production capacity of the Hindustan Shipyard. Apart from the orders placed with the Hindustan Shipyard, orders were placed abroad for 4 cargo liners, 3 colliers and one tanker in 1963-64 and 3 bulk carriers in 1964-65. After 1964-65 it became extremely difficult to get deferred credit from foreign shipyards. The only country which offered some credit facility was Yugoslavia and this source was fully tapped by Corporation to order 2 super tankers, 3 giant sized ore-oil-grain carriers and one passenger-cum-cargo ship. Another opportunity came when in 1968, Poland wanted to sell 4 ships by withdrawing orders from its own National Shipping line. This opportunity was also used. Similarly the opportunities offered by German Democratic Republic and Rumania were also fully tapped. The Corporation had already placed orders for 6 vessels from German Democratic Republic and 4 vessles from Rumania. In furtherance of the above objective and also to meet the requirements of different trades, the Corporation also decided to acquire good second-hand ships of reasonable age, subject to suitability. The distinct advantage in acquiring second-hand ships is that they are immediately available for employment, while in the case of new ships there is a waiting period of 2 to 3 years and in some cases even more, from the date of placement of order till they are due for delivery. Another advantage in acquiring second-hand ships is that generally, these ships are available at comparatively lesser prices thereby reducing the quantum of investment involved.

2·24. It has been stated that before finalising the acquisition of each second-hand ship the Corporation examines the proposal very thoroughly and obtains a valuation of the ship from leading international ship values. The ultimate prices of the ships are settled at a level well below the valuation so obtained. Before each acquisition is finally approved, the Directorate General of Shipping and Government also examine the quality of the ship, the price and other economic aspects thoroughly and only after they are satisfied fully about all these matters that the final approval is given.

2·25. The Corporation have intimated that they had no complaints about the operation of the second-hand cargo liners acquired by it so far (Appendix-II). All these ships have been giving satisfactory service. Some time back the Corporation had carried out a study of the profitability of second hand cargo ships. The study revealed that as far as the return on capital employed is concerned, the employment of second-hand vessels was more profitable than the new ships. It may be mentioned in this connection that the UNCTAD has also supported the view that acquisition of second-hand ships would be in the interest of the developing countries.

2·26. The Corporation had acquired 22 second-hand vessels—12 cargo liners at a price of Rs. 8·51 crores, 7 at a price of DM 18,500,000 and 3 at a price of $ 5,750,000.

2·27. The Corporation spent the following amounts each year on repairs and maintenance of these liners :—

(Rs. in lakhs)

Year	Amounts
1962-63	12·13
1963-64	19·39
1964-65	23·56
1965-66	45·98
1966-67	55·68
1967-68	83·64
1968-69	97·88
1969-70	118·64
1970-71	147·79

2.28. **The Committee consider that while there might have been good reasons in the earlier years for the Corporation to go in for second hand ships, the position has changed considerably now as the Shipping Corporation is one of the biggest shipping lines not only in India, but in the world. It should certainly now be possible for the Corporation to decide in the light of experience about the types and size of ship and whether it should be new or old having regard to the operational requirements, the running and maintenance cost, depreciation, efficiency and economy of operations. The Committee recommend that the Corporation should draw up a phased programme for replacement of the old ships which are found to be uneconomic so that these can be disposed of at a most opportune time to the financial advantage of the Corporation.**

D. Indigenous Capacity in Ship-Building

2·29. Existing capacities of the three indigenous shipyards who are capable of building ocean-going ships are as under :—

Name of the Shipyard	Rated Capacity
1. Hindustan Shipyard, Visakhapatnam ..	3 ships of upto 15,000 DWT each.
2. Mazagon Dock Ltd., Bombay ..	4 ships of upto 15,000 DWT at a time, including leander Class Frigates. In addition, it can also undertake construction of some smaller vessels such as dredgers and barges.
3. Garden Reach Workshops, Calcutta ..	2 dredgers of medium capacity i.e. upto 4,500 tpms Hopper capacity in addition to some smaller vessels such as barges and tugs.

2·30. In addition, a new shipyard is under construction at Cochin. It is designed to produce 2 ships of 66,000 to 85,000 DWT per year. Its construction is expected to be completed by 1975.

2·31. The details of the expansion plans of these shipyards are given below :—

Hindustan Shipyard : An integrated development programme costing Rs. 7·66 crores was sanctioned in October, 1969, which is designed to raise the annual capacity from the present 3 ships to 6 ships of about 13,000 DWT i.e. from a total of about 40,000 DWT to about 80,000 DWT. Meanwhile the Shipyard has accepted orders for construction of 7 ships of 21,600 DWT each. In terms of ships of this size, the increased capacity after the completion of the development programme would be about 4 ships per year. This development programme was expected to be completed by the end of the 4th Plan in March 1974, but it has received a set-back on account of serious delays in the delivery of cranes and other equipment by Indian suppliers. Also, on further consideration, it has been decided to obtain technical advice from foreign experts under the Colombo Plan, regarding the revised layout of the shipyard so as to permit smooth flow of materials etc. from one stage to another. Some delay is bound to be caused on account of the necessity for such consultation.

A Wet Basin Project costing Rs. 3·00 crores was sanctioned in January 1971 for implementation during the 4th Plan period. This will provide increased fitting out facilities after the ships are launched. It will also provide facilities for above-water repairs to ships A new drydock has been completed and commissioned in November 1971.

Mazagon Dock Ltd. : It has already implemented and expansion plan costing about Rs. 8·32 crores and initiated in 1964-65. This has enabled the Yard to undertake the construction of sophisticated naval craft such as Leander Class Frigates besides merchant ships upto 15,000 DWT capacity, in addition to dredgers etc. Further expansion will be undertaken as and when found necessary, keeping in view the anticipated naval and civilian requirements.

Garden Reach Workshops : A modernisation/expansion plan, costing about Rs. 3 crores, was sanctioned in April 1971 to enable this Yard to construct 2 ocean going vessels of 15,000—25,000 DWT each, per year, in addition to the present capacity for dredgers and other harbour craft. Construction work on this development plan has already started and it is expected to be completed by March 1973.

2·32. After the completion of all the development programmes of the above-mentioned Shipyards and also the completion of the Cochin Shipyard Project, the annual production of ocean-going merchant ships from Indian shipyards would be roughly as indicated below :—

Name of Shipyard	Type of ships	Dead-weight of ships	Number	Total dead-weight
Hindustan Shipyard ..	Liner/Bulk carriers	13,000 to 21,000	6/4	80,000
G.R.W. ..	Liner/Bulk carriers	15,000 to 25,000	2	30,000 to 50,000
Mazagon Dock (excluding frigates).	Passenger-cum-Cargo	12,000 to 15,000	1	12,000 to 15,000
Cochin Shipyard ..	Bulk carriers/tankers	66,000 to 85,000	2	1,32,000 to 1,70,000

2·33. In a Note furnished after the evidence, the Ministry of Shipping & Transport have stated that 'the performance of all these shipyards is considered by and large, to be satisfactory, having regard to the limitations under which they have to function in the matter of procurement of equipment (indigenous as well as imported) and other sub-contracted items for vessels under construction. The main difficulties and bottlenecks in the full exploitation of the existing ship building capacity and in the expeditious implementation of expansion plans are stated to be :—

(*i*) delays in supply of equipment (like cranes, etc.) and other sub-contracted items by indigenous firms, who have their own difficulties due to labour trouble, short supply of steel, etc.

(*ii*) difficulties in obtaining sanction for essential imports due to constraint on foreign exchange resources, and

(*iii*) difficulties in procurement of steel, particularly of ship-building quality plates.

2·34. It has also been stated by the Ministry that these difficulties are common to all the major industries in the country and to some extent they are inevitable in the present stage of country's development. It is, therefore, not possible to take any special steps for the shipbuilding industry alone to completely eliminate all these difficulties. However as and when these difficulties arise, efforts are made to remove or mitigate these to the extent possible by taking up the matter with the parties/authorities concerned by correspondence or by personal contact or by holding meetings and discussions.

2·35. The Ministry of Shipping and Transport have intimated that they are in agreement with the view that the indigenous capacity in shipbuilding requires to be augmented in order to facilitate the programme of expansion of tonnage in the country.

2·36. The Committee pointed out that while the Shipping Corporation of India had stated that it had fully booked the production capacities of the indigenous shipyards for many years ahead and for several years past, the Hindustan Shipyard had in their Annual Report (1968-69) indicated that there was delay in finalisation of the orders which had upset the planning and had an adverse impact on the production programme of the Shipyard. The Committee enquired about the reasons for delays in finalisation of orders. In reply, the Ministry of Shipping and Transport stated that :—

> " Beginning with the ship VC-168, the Shipping Corporation of India first indicated an order for 6 ships to Hindustan Shipyard and later, on 19-7-1966, they increased this number to 12 ships (VC-168 to 179). Earlier in May 1966, they had also informed H.S.L. that these vessels should be high-speed vessels and should incorporate certain other changes. H.S.L. informed S.C.I. on 9-6-1966 that since the requirement of high speed would involve a new hull design, the new series should be taken up only from VC 171 and the first 3 vessels (*viz.* VC 168 to 170) should be ordered as repeats of the earlier vessels. To accommodate the Shipyard, the S.C.I. agreed to accept VC 168 and VC 169 as repeats of the Lubecker Series VC-162 to 167. Subsequently, in February 1968, the Hindustan Shipyard requested that as two of their berths cannot accommodate the wider high speed vessels and as these were falling vacant earlier, the commencement of this high speed series should be further postponed and VC 171 and VC 172 should also be accepted as repeats of VC 167. After further discussions with the H.S.L., the S.C.I. informed them in June 1968 that—
>
> (*i*) VC 168 and VC 169 would be repeats of VC 167, and
>
> (*ii*) VC 170, 171 and 172 would be repeats not of VC 167 but of the Mitsubishi Series VC 161 with certain important changes which were necessary in order to meet essential operational requirements.
>
> So far as (*i*) above is concerned, although the formal contract was signed in October 1970, the orders were taken as firm by the Shipyard after the discussions with the Shipping Corporation in

June 1968. There was thus no delay in the case of these two ships which have actually been delivered by the Shipyard in July 1971 and October 1971.

As regards (*ii*) above, there were, of course, further delays on account of finalisation of specifications and various other terms including the price, as between the Shipyard and the Shipping Corporation. The matter was, therefore, discussed in a meeting in the Ministery in April 1970 when it was stated by both the Shipyard and the Shipping Corporation that the specifications for the 3 ships VC 170 to 172 had been settled to their mutual satisfaction and that the contract would be signed soon after certain outstanding points had been settled. There was, however, further delay in the settlement of these outstanding points and the building contract was finally signed in April 1971. Meanwhile, the Shipyard had been taking all preparatory action for the construction of these ships without waiting for the signing of the formal contract. The keel for all the three ships has already been laid and in fact one of them has also been launched a few months back and is expected to be delivered in the next few months. The S.C.I. have explained that the need for their changing certain specifications from the standard Mitsubishi series had arisen because the hull lines of the series had been evolved in 1950 and since then much more efficient hull lines had been evolved which result in appreciable lower fuel consumption and also in increased cubic capacity.

As regards the remaining 7 ships *viz.* VC 173 to 179, which were desired to be of high speed, the orders for the same did not materialise because the price quoted by H.S.L. was found to be excessive and uneconomic by the S.C.I. It will thus be seen that the delay in the finalisation of the order for the ships VC 168 to 172 was not due to the fault either of the H.S.L. or S.C.I., but due to certain circumstances beyond the control of each. The H.S.L., in order to make the maximum use of their existing capacity, wanted to make as little change in the specifications of the ships as possible, whereas the Shipping Corporation, in order to make their operations as economic as possible, wanted to incorporate the latest improvements in the design of ships."

2·37. The Committee enquired whether delays in finalisation of orders for ship-building did not indicate lack of coordination leading to lower accretion to Indian tonnage. In reply, the Ministry of Shipping & Transport have stated—

"Detailed specifications of ships and other technical aspects are matters which have necessarily to be settled between the shipyard and the shipowner and no coordination by any other authority is required. However, to the extent possible, the Ministry did intervene and, as mentioned above, also held a meeting with both the parties to sort out matters. Further, when the Ministry came to know of the reluctance of other Indian shipowners to place orders with the Hindustan Shipyard, the Ministry again intervened by convening

meetings between the Shipyard and prospective buyers. It was as a result of these efforts that the Hindustan Shipyard finally succeeded in obtaining orders for 7 "Jagdarshan" type of ships, 21,000 DWT each."

2·38. Asked whether it was not possible for Govt. to draw up a long term production plan for indigenous shipyards, the Ministry of Shipping and Transport have explained that :—

"It is not possible for Government or even for the Shipyard to draw up a long term production plan in terms of size and type of ships to be produced because these will depend on the requirements of the shipowners who are to place orders. In view of the rapid changes in technology and introduction of new concepts like containerisation, the uncertainty about the opening of Suez etc., it is not possible for the shipowners to decide much in advance the number, size and type of ships required by them. In the absence of such definite requirements followed by firm orders to be placed on the shipyards, any plans drawn by the shipyard or Government for the production of ships of a particular size and type merely on a theoretical basis will serve no useful purpose. The production plan of the Indian shipyards can, therefore, be only in general terms *viz.* the capacity for hull fabrication. For instance, the H.S.L. was previously expected to produce 6 ships of 13,000 DWT after completion of its development programme, but now when it has switched over to ships of 21,000 DWT, it is now expected to produce about 4 ships of that size. Even now it cannot be said that its further production programme will only consist of ships of 21,000 DWT. It may again have to switch over to a smaller or slightly bigger ship depending upon the requirements of the shipowers".

The Committee were informed by Audit that according to the information available with them, the capacity for shipbuilding according to ad-hoc Committee, was to increase to 6 ships by 1972-73 including development of facilities for building ships of 18,000 DWT. Due to delay in implementation of the development programme, however, programme for increase in facilities to build ships of 18,000 DWT has been deferred to phase III.

2·39. The position of Corporation's fleet comprising of indigenously constructed vessels *vis-a vis* those of other Indian shipping companies, as on 31st March, 1971 was as under :—

	Indigenously constructed vessels		Total Fleet		Percentage of indigenous GRT to total GRT
	No.	GRT	No.	GRT	
The Shipping Corporation of India Limited	22	1,79,320	77	8,63,365	20·77
The Scindia Steam Navigation Co. ..	5	42,509	40	3,59,526	11·82
India Steam Ship Co.	1	5,429	17	1,45,085	3·74
The Great Eastern Shipping Co.	—	—	16	1,90,552	—

2·40. Asked about the performance of indigenously built ships with similar imported vessels, both in the matter of operation and pricing, the Ministry of Shipping and Transport have stated :—

> "The performance of Indian built ships generally compares favourably with foreign built vessels of the same type. However, ordering ships in India involves payment of higher price and longer delivery period. The price of a ship built by Hindustan Shipyard Limited, Visakhapatnam in accordance with the pricing formula enunciated by the Government of India, is to be 5% over the international price. The internatinal price itself is also not the most competitive, it is a notional price arrived at after averaging the estimated price in a number of countries."

This with 5% mark up is again subject to an escalation within a ceiling of 7%.

2.41. **The Committee are not impressed by the plea of Government that 'it is not possible for Government or even for the Shipyard to draw up a long term production plan in terms of size and type of ships to be produced because these will depend on the requirements of the shipowners who are to place orders'. It has been stated that in view of rapid changes in technology and introduction of new concepts like containerisation, the uncertainty about the opening of Suez Canal etc., it is not possible for the shipowners to decide much in advance the number, size and type of ships required by them. It has been indicated that in the absence of definite requirements, "any plans drawn by the shipyard or Government for the production of ships of a particuar size and type merely on a theoretical basis will serve no useful purpose. These arguments do not appear to be convincing to the Committee. The Committee recommend that if the targets fixed under the Five Year Plans for augmentation in the tonnage of the country are to succeed, Government should draw up a need based programme integrated with the capacities of the indigenous Shipyards in the country and the known demands of the Shipping enterprises in general and the Shipping Corporation of India in particular.**

2.42. **The Committee consider that there should be close liaison and understanding between the Shipping Corporation of India and the Hindustan Shipyard and Mazagon Docks Ltd. so that the latter can take up the building of ships in accordance with the requirements of the Corporation and in the light of the latest technological developments. They suggest that a high-powered Committee having representatives of the Shipping Corporation and other shipping interest and Hindustan Shipyard and Mazagon Dock Ltd. may be constituted by Government in order to provide guidance and resolve without delay all problems regarding building of ships.**

E. Delays in the Delivery of Vessels

2·43. A statement showing the details of the tonnage purchased or proposed to be purchased by the Shipping Corporation of India Limited is at Appendix-II.

2·44. Since April, 1965 the Corporation has taken delivery of twenty-three new vessels, fourteen constructed in foreign shipyards and nine at Hindustan Shipyard. While there was delay in the delivery of two vessels by a foreign shipyard—88 days in one case and 49 days in the other—the delivery of all the nine vessels was delayed by Hindustan Shipyard ranging from 103 days to 556 days, as will be seen from the following table :—

Builder's Yard No.	Contracted date of delivery	Actual date of delivery	Delay in days
V.C. 154	31-3-1964	4-5-1965	399
V.C. 156	30-9-1964	9-4-1966	556
V.C. 158	30-4-1965	11-10-1966	529
V.C. 159	31-5-1966	2-10-1967	489
V.C. 160	31-7-1966	3-12-1967	490
V.C. 161	31-10-1966	23-2-1968	480
V.C. 162	1-6-1968	12-9-1968	103
V.C. 163	1-9-1968	29-1-1969	150
V.C. 164	1-12-1968	11-5-1969	161

2·45. In respect of delays by the foreign shipyard, the Corporation initially recovered a penalty of Rs. 3·40. lakhs under the provisions of the contract but subsequently refunded 50 per cent of the amount *viz.* Rs. 1,70,100. In this connection, the Management reported (March, 1967) to the Board of Directors that "under the conditions of the ship building contract the penalty is clearly leviable for the delayed deliveries. The Shipping Corporation has, however, to build a lot of tonnage abroad on suitable terms.....on rupee payment basis. The shipyard is asking for the condonation of half the penalty amount in a spirit of goodwill."

2·46. As regards delay in the delivery of vessels by Hindustan Shipyard, the Corporation recovered an amount of Rs. 20·50 lakhs as liquidated damages in accordance with the contracts. In respect of six of the vessels for which liquidated damages amounting to Rs. 18·26 lakhs were recovered, the shipyard contended that the delay was beyond their control and, therefore, covered by the *force majeure* clause in the contract. The matter was accordingly referred to arbitration in July, 1969.

2·47. The Ministry have stated (May, 1970) that "the arbitrator has given his award recently, under which the Corporation has been asked to refund a sum of Rs. 8,29,500 to the Hindustan Shipyard.".

2·48. The loss of profits on account of delayed delivery of vessels (excluding grace period) by the foreign and Indian shipyards amounted to Rs. 49·64 lakhs (after adjustment of the liquidated damages) at the average daily rates per GRT. from year to year. Besides, delay in delivery of 4 vessels (VC 158 to 161) had devolved on the Corporation an additional expenditure of Rs. 60·89 lakhs (actually paid Rs. 57·85 lakhs up to January, 1970) by way of increase in the price on account of devaluation.

2·49. In a reply furnished after the evidence, the Corporation stated that the main reasons attributed for the delay in delivery of the vessels were the delays in receipt by the Shipyard of Import Licences from Government difficulties in obtaining materials due to foreign exchange restrictions etc. The Shipyard were reported to have been stating that these were cases of *force majeure*. The arbitrator, who examined the case, determined the following periods shown against each vessel, as attributable to *force majeure* and subject to penalties respectively.

Vessel	Benefit of delay given to Shipyard as attributable to force majeure	Period for which liquidated damages were awarded
1. V.C. 154	6 months	159 days.
2. V.C. 156	9 months	226 days.
3. V.C. 158	4 months	349 days.
4. V.C. 159	6 months	249 days.
5. V.C. 160	6 months	250 days.
6. V.C. 161	6 months	240 days.

2·50. Some of the main changes in the recent contract with the shipyard to ensure timely deliveries are :—

(*i*) In respect of the vessel from V.C. 168 onwards the grace period has been reduced to 45 days instead of 60 days.

(*ii*) In the latest contracts for V.C. 170 to 172 and 182 and 183, the penalty amount applicable to each day of delayed delivery has been increased to Rs. 8,650 per day as against the following accounts in the earlier contracts.

Contract	Penalty per day for the 1st 120 days of delay	Penalty per day for the subsequent days
	Rs.	Rs.
VCs 154—161	600	750
VCs 162—167	945	1,182
VCs 168—169	3,800	4,000

(*iii*) In the earlier contracts there was a specific exclusion of the right of the owners (the Corporation) of rejecting the vessels on account of delay in delivery. This has now been deleted in the latest contract.

For delay in delivery of vessels VC 165-167, the Corporation had not to pay any extra amount.

2·51. The following amounts have been deducted from the delivery instalments of the respective vessels, as liquidated damages due under the contract.

VC 165	Rs.	2,45,784
VC 166	Rs.	3,04,536
VC 167	Rs.	71,793

2·52. The amount of Rs. 8,29,500 was refunded to the Shipyard in March, 1970.

2·53. Delay in the delivery of the ships does cause the Corporation inconvenience in meeting its trade obligations and also affects its planning. The Corporation, however, meets its trade commitments by chartering ships, whenever required, so as to ensure that there are no loss of earnings. There is, however, loss of interest on the various instalment amounts paid by the Corporation to the Shipyard, on account of such delays.

2·54. During evidence the Committee enquired as to what were the reasons for delay in the delivery of vessels purchased from the Hindustan Shipyard Ltd. Visakhapatnam. The Chairman, SCI informed that formerly there used to be some delay for various reasons. Importing material from outside was the principal reason for delay. The other reason was that the productivity of labour in the initial stages was not as good as in highly sophisticated economies. During the last year, noticeable improvement had however, been made in regard to delivery dates. Now the delivery dates had been adhered to. The Chairman, SCI, informed the Committee that the time of construction of ships was more in India than in other countries.

2·55. The Committee enquired whether there had been any revision in the contracts with the ship-building yards after they were awarded the contracts and if so, what were the reasons they had given. The Chairman, S.C.I. stated—

> In respect of Hindustan Shipyard there have been revisions of delivery dates. Very recently the delivery dates of two or three Vessels from GDR have also been revised. Some dates have been delayed and some dates have been advanced. That was done in order to accommodate them because they said they could not adhere to those dates and the revisions were made after taking Government's approval.

2.56. **The Committee find that since April, 1965 there had been delays in the delivery of 2 vessels by a foreign shipyard—88 days in one case and 49 days in the other. There have also been delays by the Hindustan Shipyard ranging from 103 days to 556 days. The Committee also note that though the Corporation initially recovered an amount of Rs. 20.50 lakhs as liquidated damages from Hindustan Shipyard on account of delay in the delivery of vessels, the Corporation had to refund a sum of Rs. 8,29,500 to the Hindustan Shipyard according to the award given by the arbitrator. The Committee note that the Corporation have suffered a loss of porfits on account of delayed delivery of vessels (excluding grace period) by the foreign and Indian shipyards amounting to Rs. 49.64 lakhs. Besides, delay in delivery of 4 vessels had devolved on the Corporation an additional expenditure of Rs. 60.89 lakhs by way of increase in the price charged by Hindustan Shipyard on account of devaluation. Delay in delivery of vessels not only causes loss to the Corporation but results in inconvenience to the Corporation in meeting its trade obligations and also affects its planning. Even where the Corporation is able**

to meet its trade commitments by chartering ships, there is indeed loss of interest on the various instalment amounts paid by the Corporation to the Shipyard on account of such delays. The Committee are glad to note that in recent contracts, some important changes have been effected to ensure timely delivery of ships, viz. the restriction of the grace period from 60 days to 45 days, increasing the rate of penalty for each day of delayed delivery to Rs. 8650 per day and deletion of the clause excluding the right of Corporation to reject the vessels in the event of delay in delivery. The Committee suggest that the effect of these changes should be watched. The Committee need hardly stress that every assistance by Government should be extended to Hindustan Shipyard to meet to the largest extent possible the demand of ships by Shipping Corporation of India. Government should particularly watch the progress made by the Hindustan Shipyard to manufacture the Ships so that difficulties, if any, are resolved in time to adhere to the time schedule for delivery.

III

RESOURCES

A. Shipping Development Fund

3·1. In 1958, statutory fund called the Shipping Development Fund (S.D.F.) was established under the Merchant Shipping Act, 1958. The fund which is non-lapsable provides a standing source of finance for the acquisition of tonnage at a concessional rate of interest of 4½ per cent. per annum. Loans are being disbursed from the S.D.F. since 1958-59 to companies both in the private and public sectors. Advances from the Fund are given both for purchase of new vessels (from Indian or foreign sources) and for second-hand vessels.

B. Utilisation of Loans from S.D.F.C.

3·2. The following table indicates the position of overall loans sanctioned by the Committee to the Indian Shipping Companies and the loans sanctioned to the Company during the Second and the Third Five Year Plans and the subsequent 3 years :—

(Rupees in lakhs)

	Second Plan	Third Plan	1966-67 to 1968-69	1969-70	1970-71
Total loans	952·98	9,330·36	7,109·58	8,322·00*	13,381·00
Loans sanctioned to the Company ..	235·00	1,155·85	4,045·87	5,574·15	7,455·80
Percentage of Company's share ..	24·66	12·49	56·91	66·98	55·72

*According to Audit, the schedule of loans attached to the audited annual accounts of the Shipping Development Fund Committee shows that the loans sanctioned in 1969-70 by the SDFC were Rs. 9,086 lakhs. From the details of loans sanctioned to the Corporation given in the schedule of loans, the figures work out as follows:—

1969-70 Rs. 5,304·49 lakhs

1970-71 Rs. 6,999·80 lakhs

3·3. Until 1967-68, the full quantum of loans applied for by the shipping companies for acquisitions was given subject to the condition that the companies maintained a debt equity ratio of 6 : 1 or 4 : 1 according as paid up Capital of the loanees exceeded or was less than Rs. 1 crore; no worthwhile proposal of any company was turned down or curtailed for want of resources in the Fund. Thereafter, the Shipping Development Fund Committee have been looking into the internal resources position of the applicants at the time of considering applications for fresh loans and have restricted the amount of loans in some cases having regard to the applicant's own resources. The Committee advanced 90 per cent of the price of new vessels upto 1966-67, the balance to be met out by the applicant. Subsequently, it was decided that the initial payment upto the extent of 10 per cent of the purchase value of vessel should be made out of the applicant's own resources and the balance only should be financed from the Fund.

M/P(N)4LSS—(3a)

The following table brings out the position of tonnage (including tonnage on order) owned by the major shipping companies and the tonnage acquired or to be acquired by them from loans from the S.D.F.C.:—

Name of Company	Amount of loan drawn from SDFC	Tonnage acquired or to be acquired with SDFC Loans	Total tonnage owned including tonnage on order	% of Col. (3) to Col. (4)
1	2	3	4	5
	(Rs. Crores)	(lakhs of GRT)	(lakhs of GRT)	
Shipping Corporation of India				
As on 31-3-1969 ..	24·27	4·04	10·27	39·00
As on 31-3-1970 ..	38·36	6·67	11·13	59·95
As on 31-3-1971 ..	60·57	9·99	13·65	73·15
Scindias				
As on 31-3-1969 ..	8·20	1·72	3·75	46·00
As on 31-3-1970 ..	10·50	2·45	4·59	53·4
As on 31-3-1971 ..	12·79	2 45	4·20	58·3
Great Eastern				
As on 31-3-1969 ..	7·42	1·61	1·93	82·00
As on 31-3-1970 ..	8·07	2·31	2·47	93·5
As on 31-3-1971 ..	9·61	2·87	3·32	86·4
Jayantis				
As on 31-3-1969 ..	17·72	2·19	3·07	71·00
As on 31-3-1970 ..	21·81	2·19	3·07	71·42
As on 31-3-1971 ..	25·50	2·19	2·95	74·27
South India Shipping Corporation				
As on 31-3-1969 ..	5·91	1·22	1·22	100%
As on 31-3-1970 ..	7·58	1·22	1·22	100%
As on 31-3-1971 ..	9·35	1·22	1·22	100%

3·4. It will be seen that the Corporation had drawn the highest aggregate amount by way of loans from the Committee and had acquired the highest aggregate tonnage in comparison to other Companies. The proportion of tonnage acquired upto 31-3-1969 by the Corporation through the S.D.F.C. loans to the total tonnage was, however, the lowest.

3·5. To acquire the additional tonnage of 12 lakh G.R.T. (tentative) during the Fourth Plan, the Corporation has formulated its financial requirements and indicated the same to S.D.F.C. as under :—

	(Rupees in lakhs)
Funds Available	
Anticipated net profit	3,175
Less estimated dividends	585
	2,590
Depreciation Provision	5,220
	7,810
S.D.F.C. loans receivable against earlier sanctions and other commitments ..	4,682
	12,492
Commitments	
For existing capital commitments	6,868
S.D.F.C. loan repayments	1,531
Fresh acquisitions	7,420
Other commitments	270
	16,089
Deficit	3,597
Loans required	6,808

3·6. In this connection, the Management have suggested to S.D.F.C. that in order to implement its expansion programme in accordance with the declared policy of Government regarding development of shipping in public sector, it should be given loans on the basis of 90/95 per cent of each instalment of purchase price as against its present policy of granting loans on the basis that first 5 or 10 per cent of the purchase price of each vessel be paid by the loanees. The Management have also explained (March, 1969) that if the Company does not receive loans from the Fund on this basis, it would either have to stop or drastically slow down its programme of expansion or to request Government to increase the equity capital. In view of its existing heavy capital base, the Company, however feels that it would not be desirable to increase the equity capital.

3·7. As a result of the Company's reliance on its internal resources for its expansion programme and the present tight liquidity position, on a request made by the Company in February, 1970, the S.D.F.C. has sanctioned to it loans amounting to Rs. 3·35 crores for repayment of the balance instalments in respect of six vessels acquired earlier out of the Company's own resources

Out of the above amount, Rs. 1·89 crores were received in 1969-70 and the balance amount of Rs. 1·46 crores was received in 1970-71.

3·8. The Corporation utilised its resources also in pursuance of its policy of expanding its tonnage. It is because of this that in the earlier years the proportion of tonnage acquired through S.D.F.C. loans was lower. The other Companies had perhaps acquired ships mainly relying on S.D.F.C. loans, whereas the Corporation utilised its own resources as also the S.D.F.C. loans. In the case of the Corporation the total tonnage acquired was considerably higher compared to other Shipping Companies.

3·9. The total loan drawn and the total tonnage acquired by the Corporation, by availing S.D.F.C. loans was quite considerable, compared to other Shipping Companies.

3·10. The Corporation stated that it might have been beneficial for the Shipping Corporation to have availed of the benefit of Shipping Development Fund Committee loans for the expansion of its tonnage to the fullest extent. The Corporation, however, thought it proper as a public sector organisation, to plough back the generated resources for fresh investment, as is normally done by any commercial organisation also. This policy was adopted deliberately in order to establish maximum possible financial stake, which is normally expected from any Company. In fact, it was for the same reason that the Shipping Development Fund Committee has fixed such a norm before granting a loan to the Shipping Companies. The Committee expected the Shipping Company to have a financial stake of upto 10 per cent (5 per cent for SHI built vessels) and then only give the balance of the purchase price of vessels as loans.

However, the Corporation had gone a step further in satisfying this norm and endeavoured to finance their acquisitions in the initial years to the maximum extent, before approaching the Shipping Development Fund Committee. Their Board of Directors had been throughout conscious of this self-generated growth of the Corporation. The Corporation therefore approached the Shipping Development Fund Committee for accommodation when their need for funds had to be met from external resources. This had been brought to the notice of the Government also from time to time whenever they submitted their representations for grant of loans by the Shipping Development Fund Committee to the fullest extent *i.e.*, 90 per cent.

3·11. During evidence Committee enquired whether the S.C.I. had received any reply from the S.D.F.C. to their request that in order to implement its expansion programme, it should be given loan on the basis of 90/95 per cent of each instalment of purchase price as against its present policy of granting loans on the basis that 5 or 10 per cent of the purchase price of each vessel be paid by the loanees. The Chairman, S.C.I. informed that the S.D.F.C. had told them that they were prepared to consider that suggestion on the merit of each case. In some cases, the S.D.F.C. had agreed to give them loan on the basis of 90/95 per cent of each instalment.

3·12. During evidence, of the Ministry the Committee enquired why percentage of loan drawn by the S.C.I. from S.D.F.C. had ranged between 39 to 73 per cent only, in reply the Secretary, Ministry of Shipping and Transport stated:—

> "It is all linked up with the target we want to achieve and the rupee funds. At present the percentage has increased to 55 per cent. We have to look to the private sector also. The S.D.F.C. is meant for the development of shipping in India as a whole. As I tried to explain earlier, each individual shipping acquisition depends upon each individual deal, which company has been successful in negotiating the deal, etc., whether it is economically viable and in accordance with our priority, etc."

The witness added that it was to the credit of the Shipping Corporation that for several years they had ploughed back their entire profits to buy ships and did not come up for loans.

3·13. Asked whether out of the S.D.F.C. loans, the Government were giving 90 or 95 per cent of each instalment of purchase price of ships, the Secretary of the Ministry stated:—

> "It is a flexible policy. We want everyone to contribute to the maximum so that he must have a stake in the ship purchased. We expect at least ten per cert to be contributed by the Co. In cases where the company has adequate surplus cash reserves or resources we have given no loan. We give loans ranging from 30 to 90 per cent, depending upon each case Accordingly, when we found that the cash position of the S.C.I., and the ways and means position of the S.C.I. was very tight, we made them pay only ten per cent of each instalment and the S.D.F.C., paid the remaining 90 per cent."

3.14. **The Committee note that the percentage of tonnage acquired or to be acquired by the Shipping Corporation of India with Shipping Development Fund Committee loans to total tonnage including tonnage on order was 73.15 as on 31-3-1971; 58.3 in respect of Scindias; 86.4 in respect of Great Eastern; 74.27 in respect of Jayanti and 100 in respect of South India Shipping Corporation. The Committee were informed that though the percentage of utilisation of loans from SDFC by the Shipping Corporation of India was considerable as compared with companies like Great Eastern, Jayanti and South India Shipping Corporation, the proportion of tonnage acquired by the Shipping Corporation of India through the SDFC loan to the total tonnage was the lowest upto 31-3-1969. The Committee, however, note that the percentage of tonnage acquired by the Shipping Corporation from the loans available from the Shipping Development Fund have increased from 39 per cent as on 31-3-1969 to 73.15 per cent on 31-3-1971. The Committee would like Shipping Corporation to make greater use of the financial assistance available from the Shipping Development Fund Committee in order to accelerate the acquisition of additional tonnage to reach the Plan target.**

C. Credit Facilities

3·15. The particulars of the foreign exchange component of the vessels ordered and to be ordered by the Corporation in the Fourth Five Year Plan are as under:—

Foreign Exchange Component

(Rs. in crores)

	Total capital cost	From Country's free foreign exchange resources	Foreign exchange loans/Aid funds	Payment to Rupee payment countries in rupees	Total	Deferred credit from* Shipyards	
						Payment in foreign exchange	Payment in Rupees
1	2	3	4	5	6	7	8
84 ships already ordered	195·26	38·25	45·77	73·00	157·02	5·44	39·24
14 ships proposed to be ordered	134·75	10·85	93·90	—	104·75	—	—
	330·01	49·10	139·67	73·00	261·77	5·44	39·24

3·16 In respect of 14 vessels proposed to be ordered, in the Fourth Five Year Plan involving a total capital outlay of Rs.134·75 crores only 5 cargo liners worth about Rs. 30 crores are to be ordered in India and the rest of the ships would have to be acquired abroad. Thus, the foreign exchange component of this sector of the plan is estimated to be Rs. 104·75 crores. If the negotiation with the world Bank succeed, bulk of the foreign exchange resources are likely to be received from the World Bank amounting to about Rs. 58·5 crores. About Rs. 14·4 crores is expected from West German credit. The shipping Corporation would strive to secure about Rs. 31 crore by way of loans or credit from foreign sources. Thus, out of the total foreign exchange component of Rs. 104·75 crore, about Rs. 93·90 crore is expected to be arranged from outside sources and only the balance of about Rs. 10·85 crore would be drawn from the country's free exchange resources.

3·17 In respect of the orders placed during Fourth Five Year Plan, so far the Corporation had finalised the acquisition of the following tonnage, on credit basis:

Country	No. & type of Vessels acquired on credit basis	Percentage of deferred credit & Terms of payment	Interest on deferred price
Rumania ..	4 Bulk Carriers ..	85% 10 equal annual instalments.	2·5%
G.D.R. ..	6 container oriented cargo vessels.	80% 10 equal annual instalments.	3·75%
Yugoslavia ..	1 tanker out of 2 tanker	40% 5 equal annual instalments.	6%
Japan ..	1 Bulk Carrier ..	80% 16 Semi-annual instalments.	7·75%

*Deferred credits shown in columns 7 and 8 are included in the total amount shown in column 6.

2·18. No negotiations for raising foreign exchange loans from Foreign Shipyards are possible. Negotiations are held only for suppliers credit. With regard to the details of negotiations concerning suppliers credit, in so far as vessels ordered from Rumania and G.D.R. are concerned, these are in accordance with the Bilateral Trade Agreements between the two countries. The vessel ordered from Japan on deferred payment basis is also a deal according to the arrangement between the two countries. With regard to the one ship from Yugoslavia (out of the two tankers) the percentage of deferred price *viz.*, 40 per cent was obtained afrer protracted negotiations with that Shipyard. The Corporation wanted a higher percentage for the deferred price. But the Shipyard agreed only to 40 percent. After detailed negotiations with the Yugoslav Shipyard, the Corporation also secured the payment for the two tankers being made as 70 per cent in U. S. Dollars and 30 per cent in Indian Rupees.

3·19. The Corporation's capacity to expand its tonnage was conditioned mainly by availability of ships in the international and domestic markets and availability of adequate foreign exchange loans/credit facilities on terms acceptable to the Government of India. In spite of these constraints, the Corporation has made a substantial contribution to the development of the country's tonnage particularly during the Third Plan period and thereafter. On 31st March 1961, the Corporation had only a small fleet of 17 ships of a total g.r.t. of 1·26 lakhs. At present (1st February 1972) the Corporation has a fleet of 79 ships of a total g.r.t. of 8·85 lakhs, representing an increase of about 602 per cent over the tonnage in March, 1961.

The following figures would show the pace of expansion in the Corporation's tonnage.

	No. of ships	G.R.T.	D.W.T.
		(In lakh tons)	
31-3-61	17	1·26	1·73
31-3-63	27	2·02	2·83
31-3-66	35	3·04	4·33
31-3-67	43	3·82	5·36
31-3-68	52	4·52	6·48
31-3-69	63	5·68	8·31
31-3-70	71	6·99	10·60
31-3-71	77	8·66	13·55
1-2-72	79	8·85	13·80

3·20. The above table clearly brings out the rapid strides the Corporation has made in the expansion of its tonnage in spite of the very many odds it had to face as a result of the acute foreign exchange position of the country.

3·21. A comparative study of the Corporation's performance in the matter of expansion of tonnage, with that of the three major established leading shipping companies in the private sector, *viz.*, the Scindias, the India Steamship and the Great Eastern, given in para 4·01 of the review by Audit also clearly brings out the outstanding achievement of the Corporation in this regard, in relation to the other leading Shipping Companies, in spite of the fact that the Shipping Corporation has been comparatively a new entrant in the Indian Shipping arena.

3·22. For several years past and for many years ahead the production capacity of the Hindustan Shipyard Ltd., Visakhapatnam has been fully booked for ships meant for the Shipping Corporation. Thus, the possibility of acquisition of more tonnage indigenously had to be ruled out.

3·23. Settling down soon after its establishment, the Corporation started looking out for suitable tonnage in foreign markets. 4 second-hand cargo vessels were acquired in 1962-63 and 3 in 1964-65. Apart from the orders placed with the Hindustan Shipyard, orders were placed abroad for 4 cargo liners, 3 colliers and one tanker in 1963-64 and 3 bulk carriers in 1964-65. After 1964-65 it became extremely difficult to get deferred credit from foreign shipyards. The only country which offered some possibilities was Yugoslavia and this source was fully tapped by the corporation by ordering 2 super tankers, 3 giant ore-oil grain carriers and one passenger-cum-cargo ship, involving a total cost of about Rs. 35 crores. All these ships have already been delivered to the Corporation. Limited opportunities of getting suitable second hand tonnage elsewher were also utilised. Another opportunity came when in 1968 Poland wanted to sell four ships by withdrawing orders from its own national shipping line. This opportunity was also used. All the four vessels have been already delivered to the Corporation. Similarly, the opportunity offered by G.D.R. and Rumania was also fully tapped. The Corporation has already placed orders for 6 ships from G.D.R. and 4 from Rumania.

3·24. In the middle 60's ships were generally available against deferred credit offered by the shipyards. But there was generally a resistance in Westren countries and in Japan to give credit facilities to Indin shipping companies. Therefore, the Shipping Corporation had to concentrate on securing ships from East European countries, specially Yugoslavia. The closure of Suez Canal in 1967 led to an unprecedented boom in shipbuilding industry. Deferred credit facilities largely disappeared. Ships can now be purchased only against cash payment. Besides, for some time now even Yugoslavia has been willing to accept orders only against hard currency payment. Hence large amounts of foreign exchange are needed to acquire ships from foreign shipyards. The Shipping Corporation has tried to meet this difficulty, partially by raising foreign exchange loans on commercial terms from foreign banks.

3·25. Split Shipyards, Yugoslavia offered the construction of 2 OBO. Carriers, of 1,08,000 DWT each last year against cash payment, in hard currency. The Corporation managed to obtain the requisite foreign exchange loan from a foreign source to meet the cost of these 2 ships and signed the contract with the shipyard in May, 1971. Two more super tankers of 1,15,000 DWT each were also ordered with the same shipyard, earlier for meeting the requirements of the Cochin Refinery. Here again, deferred payment facility was available only for one ship, that too to the extent of 40 per cent only.

3·26. Persistent pressure at international forums and at the diplomatic level has also resulted in recent months in aid funds getting available for the purchase of ships in some Western countries. Advantage has been taken of this opening and 2 bulk carriers of 75,000 DWT each were orderd in U.K. early in 1971. Similarly, the Yen credit offered by Japan for acquisition of a ship was fully availed of and a bulk carrier of 1,26,000 DWT was ordered with a shipyard in Japan. Negotiations have also been in progress for about a year with the

World Bank to secure a loan for the purchase of ships. A Shipping Mission from the Bank visited the Shipping Corporation in July last year. The Mission was satisfied and, it is understood, has advised the Government of India that the Mission would recommend to its management a loan of about $80 million for the acquisition of ships.

3·27. There has been considerable difficulty in acquiring tanker tonnage for meeting the requirement of oil refineries for crude oil tankers and product carriers. Haldia refinery is expected to go in stream in 1972. But despite best efforts for nearly 3 years, the Shipping Corporation has not been able to place orders for these tankers. Similarly, the Corporation has also been trying to place orders for product carriers for several years. It was only in March, 1971 that it was possible to place orders for 3 product carriers in U.S.S.R. 4 Crude oil tankers (3 for Haldia refinery and 1 for Barauni refinery) and 2 product carriers are expected to be ordered with loan assistance from the World Bank which is already under negotiation. During 1969 and 1970 more bulk carriers and tankers could not be ordered inspite of the best efforts of the Corporation, as explained above. Since then, orders have been placed for 5 tankers of 2·79 lakh D.W.T., 3 bulk carriers of 2·76 lakh D.W.T. and 2 ore/bulk/oil carriers of 2·16 lakh D.W.T. Comprising a total of 7·71 lakhs D.W.T. in addition in dry cargo vessels in U.S.S.R.

3·28. At present the Corporation has on order/under construction 31 ships of a total G.R.T. of 6·65 lakhs representing over one million deadweight tons. More ships are proposed to be ordered during the current plan period and active efforts in this direction are being made.

3·29. The Corporation have stated that their tonnage acquisition Programme has never been impeded by any lack of Rupee resources.

3·30. During evidence the Chairman, S.C.I. informed the Committee that so far as future was concerned, they were faced with some difficulties in regard to fresh orders for purchasing vessels against deferred credit. He stated:

> "During the last three years we have successfully negotiated but, for the future the problem is there. So far as the future is concerned the sellers market has developed and the shipyards were not prepared to accept deferred payment and we were therefore seriously handicapped. That situation obtained upto about eight months ago, but latterly there has been an economic recession in U.S.A. to some extent and in Japan to a considerable extent and therefore, that position no longer obtains."

He further stated:

> "So far as rupee payment is concerned, Yugoslavia had made it clear that future orders will be in foreign exchange. But U.S.S.R. is still prepared to consider rupee payment.....for the first time we have placed orders with the Soviet Union for four tankers and they have agreed to 100 per cent rupee payment basis—absolutely no foreign exchange. So, there are some areas available and our effort has been, both in the past and the present, that whatever facilities are available, we have tried to use them to the maximum extent possible. For instance, all opportunities in the Soviet Union have been taken up by the Shipping Corporation of

India and if more vessels are required we shall certainly place some orders on that basis. That is in regard to rupee payment. But in regard to areas like Japan or Germany or U. K., the shipyards are, on a commercial basis, now wanting full payment during the construction period. That is our difficulty, because to pay fully during the construction period is not easy, and we are trying to get over that.

A very recent development during the last one year has been that the World Bank which formerly did not consider lending any money for shipping, has, after a great deal of study of the working of the Shipping Corporation, agreed in principle to consider loans for shipping. It has not yet sanctioned it, but negotiations are under way and it is possible that a loan may become available. It would be a very good source for the new tonnage and with this World Bank assistance, we hope to clear four tankers of about 70 to 80 thousand tons."

3·31. During evidence of the Ministry, the Committee enquired whether it was a fact that the Japanese did not accept the guarantee by the State Bank of India and insisted on guarantee by some foreign bank for giving loan for the purchase of ships from them. The Secretary of Ministry explained the position as follows:—

"There is a history behind that. In fact the Japanese had at one time been very keen to sell to India and Teja actually got most of his ships from Japan. Japan became very prosperous in shipbuilding and there was a terrific boom in the shipyard. But then two things happened. Teja's name became bad in relation to shipping industry. Secondly, the Government of Japan had at one time some misgivings about our economic future and they put out this condition as an excuse we did not agree to do so and we said that it was derogatory to our national honour. From 1966 till last year we were not successful in placing any orders on Japan. Then the visit of the Prime Minister was there and there were high level talks and the Japanese Government agreed to give loan for the purchase of one bulk carrier and this condition was not insisted upon. We have successfully placed an order on them for 126,000 tonnes bulk carrier, which will be the biggest such vessel in India."

3.32. **The Committee note that in the international field, a seller's market has developed and the leading shipyards are not inclined to accept deferred payments. The Committee would like Government to take assistance of World Bank and other international institutions in order to obtain loans on liberal terms for the purposes of purchasing additional tonnage. The Committee would like to stress that the Shipping Corporation should explore carefully the possibilities of placing orders on most favourable terms with the Shipyards of proven standing in the world so as to acquire ships which would give guaranteed and trouble-free service. Above all, the Shipping Corporation should pay special attention to the efficient and economic running of ships so as to keep their operating expenses to the minimum.**

IV

DIVERSIFICATON

A. Composition of Fleet

The Shipping Corporation started in October 1961 essentially as a liner shipping company. On 31-3-1962, 82 per cent of the tonnage of the Corporation consisted of cargo liners. In August 1971, the share of cargo liners tonnage in the total fleet was only 44 per cent. Their share of tonnage on order is even less, being only 21 per cent which would further decline sharply once orders have been placed for additional tankers and bulk carriers which are being actively pursued.

4·2. The following table indicates the diversification of the Shipping Corporation's fleet during the last 10 years and the composition of the vessels on order.

(DWT in Lakh Tons)

As on	Cargo liners			Tankers			Bulk Carriers*			Others			Total		
	No.	DWT	%	No.	DWT	%	No.	DWT	%	No.	DWT	%	No.	DWT	%
31-3-62	16	1·68	82	2	0·21	10	..	..	..	2	0·15	8	20	2·04	100
31-3-63	23	2·47	87	2	0·21	8	..	..	..	2	0·15	5	27	2·83	100
31-3-64	25	2·72	80	3	0·55	16	..	..	..	2	0·15	4	30	3·42	100
31-3-65	26	2·85	80	3	0·55	16	..	..	..	2	0·15	4	31	3·55	100
31-3-66	28	3·16	73	4	1·02	24	..	..	..	3	0·15	3	35	4·33	100
31-3-67	32	3·63	67	4	1·08	20	3	0·43	8	4	0·24	5	43	5·38	100
31-3-68	38	4·06	63	5	1·30	20	5	0·88	13	4	0·24	4	52	6·48	100
31-3-69	47	5·06	61	5	1·30	16	7	1·71	20	4	0·24	3	63	8·31	100
31-3-70	51	5·58	53	6	2·18	21	8	2·58	24	6	0·26	2	71	10·60	100
31-3-71	54	5·93	44	7	3·06	22	10	4·30	32	6	0·26	2	77	13·55	100
Sept., 1971	55	6·07	44	7	3·06	23	10	4·29	31	6	0·26	2	78	13·68	100
							Vessels on Order								
Sept., 1971	16	2·23	21	5	2·79	26	9	5·52	52	2	0·08	1	32	10·62	100

*Including timber carrier, colliers and combination carriers.

4·3. The composition of the Corporation's fleet *vis-a-vis* the country's as on 31-3-1971 is as under :—

Services	Country's		Company's		Percentages of Company's share in total tonnage
	No. of Vessels	G.R.T.	No. of Vessels	G.R.T.	
					%
Overseas					
Cargo Liners	111	8,90,797	54	4,17,845	46·59
Passenger Liners	2	17,131	2	17,131	100·00
Pilgrim Ships	3	20,025	..	..	..
Tankers	7	2,34,924	4	1,45,215	61·81
Bulk Carriers	32	7,83,883	6	2,07,381	26·46
Small Tramps	29	2,60,989	..	..	..
	184	22,13,749	66	7,87,572	35·58
**Coastal*					
Passenger	12	29,886	4	13,673	45·75
Tankers	5	49,083	3	30,212	61·55
Dry Cargo	49	1,51,853	4	31,908	21·01
	66	2,30,822	11	75,793	32·84
Total	250	24,44,571	77	8,63,365	35·32

4·4 It will be seen from the above that the Corporation has acquired a predominent position in regard to cargo liners and it also owns 61·81 per cent. of the country's tanker tonnage in addition to 100 per cent. international passenger liners. However, the Corporation's share in the bulk carrier fleet is still only 26·46 per cent. and the Corporation has not yet started operating in the tramp trade-non-bulk type.

As regards bulk carriers, the Corporation has explained that it has already acquired and is operating 3 bulk carriers of about 42,000 DWT each. In addition, the Corporation has taken a lead in ordering larger ore/oil/grain carriers of 85,000 DWT each. Three such vessels were ordered which were delivered by 23-2-1971. With the delivery of these vessels, the corporation has become the largest bulk carrier operator in the country.

4·5. During evidence, the Chairman, SCI stated that in the formulation of the Corporation's policies for diversification of its fleet, the Corporation had been guided by the country's trade requirements.

4·6. Asked about the "tramping trade", the Chairman, SCI said :—

> "We had tramping trade also. Sir, it depends on the changed conditions in the tramping trade. Today tramping trade is very poor, the market for this has gone down. Two years ago tramping was in a big way. Two years ago nobody would have thought tramping would dwindle like this."

4·7. In a note furnished after the evidence, SCI have stated that "entry into 'tramp trade' had been one of the declared objectives of the Corporation.

In giving shape to this, the Corporation had taken note of the Bulk Carrier explosion in the world tramp market which had completely transformed the tramp trade. Because of the economics of scale there was a clear trend towards increasing sizes of Bulk Carriers in the tramp market. From a bare 44,000 DWT in 1954 the world bulk carrier tonnage had risen to sixty million deadweight with a substantial further tonnage on order. Taking note of this, the corporation accorded priority to the acquisition of bulk carriers. At present the corporation has emerged as the largest bulk carrier owner (in terms of deadweight) in the country. These bulk carriers are earning substantial foreign exchange for the country in the international tramp market. Further, the Corporation had also taken into account the need to strengthen and extend some of its liner services and also participate in certain new trades. It had to place additional ships in the India/U.K. Continent Sector where its pool entitlement went up and to which additional services in the same area have been added and also on the India/Black Sea route which witnessed a substantial increase in traffic. It decided to enter the India/U.S.A. trade both Atlantic and Pacific Coast, Services and also the Trade from India to USA Great Lakes Canada Ports, taking into account the imortance of these routes and also their commercial values. The Corporation also decided to enter several new sectors as promotional ventures in order to assist the export efforts of the country. The Corporation thus decided to establish itself fully in the Liner Sectors, the tramp market being more accessible at any stage. In 1966, it also acquired complete operational control of the Jayanti Shipping Company Ltd. engaged mainly in tramping. Today Jayanti Shipping Company is a wholly owned subsidary of the Shipping Corporation of India."

4·8. The Government had stated in reply to the recommendation No. 13 of the Third Report of the Committee on Public Undertakings (Third Lok Sabha) that the Corporation intended to participate in the Tramp Trade and the Bulk Carrier Trade fully. The Corporation had already acquired a substantial bulk carrier fleet and is operating the same profitably in the international market. Further the Corporation has also on order/under construction more than half a million deadweight tons of bulk carriers. These orders include for bulk carriers of about 15,000 DWT each and these could be used as multipurpose tramp vessels. These vessels are expected to be delivered between 1972 and 1975. Besides these the Corporation has also constituted a pool of six tramp vessels from its existing fleet of cargo vessels. These vessels while meeting the requirements of the liner trades could be switched on to the tramp trade at any time. In 1969, the tramp market was in a very depressed condition and the Corporation expected that the market would improve within the next couple of years or so. It was in this context that the Corporation indicated its plan to enter the small tramp trade by about 1972. Since however the tramp market improved earlier than expected the Corporation diverted during the year 1970-71 itself some of its cargo vessels for tramp operation taking advantage of the favourable market. A total of 14 voyages were performed during 1970-71 which yielded a net profit of Rs. 31·23 lakhs. The cargo liftings were 1.48,783 tons. Due to a steep fall in the tramp market subsequently, the corporation put back these vessels in the liner services. The Corporation have stated that they would review the position and resume tramp operations when the tramp market revives on a future date.

4.9. The Committee note that the Shipping Corporation started in October, 1961 essentially as a liner shipping company. How they have diversified their fleet. The share of cargo liners in the total fleet of the Corporation which was 82 per cent in March, 1962 has gone down to 44 per cent in September, 1971. The share of tankers in the total fleet which was 10 per cent in March, 1962 has been raised to 23 per cent in September, 1971. Similarly, the share of bulk carriers in the total fleet has gone up from 8 per cent in March, 1967 to 31 per cent in September, 1971. The percentage of Company's share in the total tonnage of the country in respect of passenger liners, tankers, cargo liners and bulk carriers is stated to be 100 per cent, 61.81 per cent, 46.59 per cent and 26.46 per cent respectively in the overseas services. In the coastal services, the Corporation's tankers, passenger liners, and dry cargo vessels constitute 61.55 per cent, 45.75 per cent and 21.01 per cent of the country's total tonnage. The Committee are glad that the Corporation has thus come to acquire a predominant position in regard to cargo linears, and owns 61.81 per cent of the country's tanker tonnage in addition to 100 per cent international passenger liners. The Committee also find that today the Corporation has emerged as the largest bulk carrier owner (in terms of Deadweight) in the country and that these bulk carriers are earning substantial foreign exchange for the country in the international tramp market. The Committee, further note that Corporation has yet to resume tramp operation. The Committee recommend that the scope for diversification of the fleet should be kept under close and continuous study by the Government as well as the Corporation in order to keep an eye on the latest trends in the international shipping services and bring about such diversification in the field as may be called for consistent with the country's trade requirements.

B. Port facilities

4·10. Improvement in port and shipping facilities is of vital importance in the promotion of exports, particularly of bulk commodities. The Fourth Plan provides for the development of major ports and their modernisation and re-equipment. Handling, loading and berthing facilities, at the ports are being improved. The development of outer harbour facilities in major ports at strategic intervals on India's coast-lines will impove bulk handling and attract deep draft heavy tonnage ships. Special attention will also be given to the enlargement of the shipping tonnage in view of the growing volume of foreign trade.

4·11. During evidence of the Ministry, the Committee wanted to know whether with the port facilities that were available in this country, it was really worthwhile to go in for these huge ships and whether the economics of this preposition had been worked out.

The Secretary of the Ministry stated :—

"In the present stage of development of our ports, we had not gone for larger ships. The two large tankers which the SCI has are specifically for Madras harbour, where the harbour facilities would have permitted bringing in 42 feet draught ships. The Visakhapatnam outer harbour will be the biggest ore-handling port; we

hope to open it up with 1,00,000 tonnes capacity by 1974 and during the second stage it will go up to 2,00,000 tonnes capacity. Since our ports could not be utilised for these large ships, the Shipping Corporation has chartered them out and made very good profits. As soon as the Madras harbour is ready, we hope by the second half of this year, the ships will be brought back to carry crude to the Madras refinery."

4·12. The Committee further observed that the Government should also have gone ahead in improving the harbour facilities when they assumed that large size of ships could be brought in two years or three years hence. The witness stated that the Madras harbour had a very unfortunate history. It should have been ready two years ago. They had fallen behind in their project. The witness further stated that the delivery date in respect of one ship on order was 1974 and by that time Vizag would be ready synchronising with the arrival of that ship.

4·13. The particulars of delays experienced by the liner vessels of the Corporation duing the last 3 years are given below:—

Reason	Total number of days		
	1968-69	1969-70	1970
(*i*) Berthing	732	973	76
(*ii*) Rain and bad weather	192	174	168
(*iii*) Non-readiness of cargo	102	127	105
(*iv*) Labour strikes and shortage	302	338	426
	1,328	1,612	1,460

4·14. Loss of fixed expenses on the vessels as a direct result of these delays was approximately as under :—

	(Rs. in crores)
1968-69 ..	1·14
1969-70 ..	1·49
1970-71 ..	1·48
Total ..	4·11

4·15. It has been stated that as in-port delays are a normal feature of ship-operations the losses indicated above are to a large extent only notional.

4·16. The notional loss of profits on account of the loss of the above number of voyage days in each year has been estimated as under :—

	(Rs. in lakh)
1968-69 ..	37·52
1969-70 ..	35·24
1970-71 ..	34·51

4.17. **The Committee note that delays at the ports in the case of liner vessels of the Corporation have increased from 1328 days in 1968-69 to 1460 days lost in 1970-71. As a direct result of these delays, fixed expenses on the vessels amounting to Rs. 4.11 crores are stated to have been lost. The Committee are not impressed by the plea of the Corporation that in-port delays are a normal feature of ship-operations and that these losses are to a large extent only notional. The Committee recommend that steps should be devised to cut down such in-port delays and reduce the loss of fixed expenses on the vessels.**

4.18. **The Committee also note that the development of ports in the country had not kept pace with the development of shipping in the country. Though the ports are yet to be developed, the Shipping Corporation of India had gone ahead and ordered large size ships. During evidence, the Committee were informed that two large tankers which the Shipping Corporation of India has, were specifically meant for Madras Harbour. But unfortunately, that harbour had not been ready in time and had fallen behind in schedule. The Visakhapatnam outer harbour is expected to be open to ships of 1,00,000 tonnes capacity by 1974 only, In the second stage, it is expected to be open to ships of 2,00,000 tonnes. Since the existing facilities available at our ports are not adequate to accommodate large size ships, the Shipping Corporation of India had to charter them out. The Committee recommend that development of ports and ordering of ships should go hand in hand so that the Shipping Corporation does not have to lock up its funds in ships which the ports are not able to handle and which therefore, have to be chartered out. The Government should have an integrated programme for development of shipping fleet and ports consistent with India's export and import trade. The Committee expect Government to ensure that the integrated programme is implemented in accordance with agreed schedule so as to derive the maximum benefit in the overall interest of the country's trade.**

V

OPERATIONS—OVERSEAS SERVICES

A. General

5.1. The Shipping Corporation started in 1961 as an essentially cargo liner operator, 15 of its 19 ships being cargo liner vessels comprising 76·4% of its total tonnage. Two coastal tankers and two passenger-cum-cargo vessels constituted the remaining four vessels. At its inception, the Corporation was operating on the following six cargo liner routes.

1. East Coast of India, East Pakistan/Australia.
2. East Coast of India/Far East, Japan.
3. India/Black Sea.
4. India/Poland.
5. West Coast of India/Far East, Japan.
6. India, Pakistan/U.K. Continent.

5·2. Since 1961, the Corporation has extended its operations to a number of new sectors. These new ventures fall into three categories viz.

(*a*) Extension of existing services.

(*b*) New ventures on major trade routes.

(*c*) Promotional services.

The details of the new services are given below :—

	Sector	Date of commencement
(*a*) *Extension of existing services*		
India/U.A.R.	India ..	January, 1965.
India/German Democratic Republic	U.K. & India/Black Sea ..	January, 1969.
India/Adriatic		January, 1969.
(*b*) *New ventures on major trade routes*		
India/U.S.A. (Atlantic and Gulf of Mexico) ..	India/U.S.A.	May 1963 (originally monthly/Fortnightly since June 1966)
India/U.S.A., Canada (Pacific Coast)	India/U.S.A.	May, 1968.
India/East Coast of Canada —Great Lakes ..	India/U.S.A.	February, 1970.
(*c*) *Promotional Ventures*		
West Coast India/Australia	India/Australia	May, 1968.
East Coast India/West Asia (Gulf)	India/West Asia	May, 1968.
West Coast India/West Asia (Gulf)	India/West Asia	September, 1968.
India/West Asia (Red Sea)	India/West Asia	June, 1968,
West Coast of India/East Africa	India/Africa	September, 1968.
India/Mauritius	India/Africa	April, 1970.

5.3. All the three services under group (*a*) above are extensions of the services to U.K.—Continent and Black Sea; the same ships cater to the U.A.R., G.D.R. and Adriatic ports. Further, India/U.A.R. and India/G.D.R. services have been developed as part of the bilateral shipping arrangements between ndia and these countries. The Corporation serves these trades alongwith its other two Indian partners, M/s. Scindias and India Steamships.

5.4. At present the Corporation is operating Eighteen International Cargo Liner routes, three times the number operated in 1961, besides operating new trades like overseas Tankers and Bulk Carrier trades. The services being operated by the Corporation are indicated in Appendix III.

5.5. A further statement indicating the developments of the Overseas Liner Routes year by year is at Appendix IV. It will be observed from these statements that the Corporation's liner Services cover all the Continents of the World except South America.

5.6. The Management have stated that the promotional ventures mentioned in item, 'C' above were specifically introduced to support India's export efforts in the regions served by them. They have been welcomed by the trade and have served a useful purpose though the Shipping Corporation has suffered financial loss in operating and maintaining these services. The Shipping Corporation has taken a calculated risk in promoting new sectors of operation. But it considers this a risk which ought to be taken in the interest of country's export efforts and to develop future potentialities for the expansion of the Corporations activities.

5.7. The Committee on Public Undertakings in their Third Report (Third Lok Sabha) desired that Government should take an early decision for restarting a service to West Africa. Government in their reply in September, 1967 stated that "the economics of starting a service to West Africa have been examined in detail. Though it is feared that it will entail substantial losses, the feasibility of starting a service is under the consideration of Government".

5.8. To an enquiry about the reasons due to which the Corporation could not start West Africa service the Committee were informed that the Corporation examined the economics of estarting the West African service and found it would not only be uneconomical but would entail heavy losses to the Corporation as could be seen from the total movement of trade during 1968-69 and 1969-70 between India and Nigeria (West Africa) :—

	1968-69	1969-70
	metric tons	metric tons
Exports	9,100	7,907
Imports	Nil	123
	9,100	8,030

5·9. The Corporation however, decided that certain vessels plying on the India-U.K.-Continent—Black Sea and Adriatic runs should call at the West African ports subject to reasonable minimum cargo inducement of say about 300 metric tons of general cargo or a minimum freight of about Rs.1 lakh taking into account the duration of the vessel's stay and several connected factors. Accordingly two vessels of the Corporation called at Lagos (Nigeria) in October 1971 and February 1972. The Corporation would continue to cater to the West African trade as far as possible, taking note of the recommendation of the Committee on Public Undertakings and also with due regard to the economic aspects. The West African ports are being served from India, at the moment, by foreign lines who have substantial quantities of cargoes for West African ports from other destinations. In their case since they are already scheduled to call at the West African ports for discharging the cargoes from other destinations, whatever additional cargo they lift from India would mean additional revenue and would not involve any financial loss. In the case of the Corporation, since the services originate from India, this position does not hold good. However, the Corporation would try its best to cater to this trade by calling at the West African ports *en tout* to other destinations as far as possible. Looking to the trend of the volume of trade, a direct service to West African Ports, at the moment, does not appear economically viable.

Once the promotional services already started by the Corporation commence paying, the Corporation will be in a position to review the prospects of commencing new ventures.

5.10. **The Committee hope that the Corporation will be undertaking a continuous review of the trade position and consistent with the economic viability, consider taking up new services including one to West Africa in the overall interest of development of Indian shipping and trade.**

B. Conferences and Pooling Arrangements

5·11. Shipping lines, owing to dual competition among themselves and that directed against them by tramps, combine to form Conferences which govern different trade routes. Almost all liner routes are covered by one Conference or the other offering regular services whose members are established shipping companies, including the national lines of the countries covered by the trade.

5·12. While Conference system involves uniform and stable freight rates for its members, they have to compete for the available cargo. The main purpose of a pool is to guarantee each Conference line participating in a pool, a fixed quota of some common interest, by way of profit or traffic. In other words, when a shipping line books less cargo than its allotted share, it is compensated for its under earning by the member lines who have booked more than their allotted share, i.e. over-earners.

5·13. The Corporation is a member of various conferences in the sectors on which it is operating except in the case of India-Black Sea sector which is governed by a bilateral shipping agreement with the U.S.S.R. In respect of Conferences in the India-U.K. sector, the revenues are pooled and each member line receives a pre-determined share of the total earnings. In respect of the India-Japan Sector, pooling arrangements which were in existence till March, 1969 have been

discontinued. In respect of other Conferences, the minimum and maximum sailings by member lines are fixed. Among the Indian lines, viz., Shipping Corporation the Scindia Steam Navigation Company and India Steamship Company, pooling arrangements have been made in the India-Black Sea and India-U.K. sectors only.

5·14. The performance of the Indian flag group and the Corporation in the India-U.K. and India-Japan sectors, where pooling arrangements had been in vogue during the years 1964 to 1967 is detailed below :—

(Figures in thousands)

	1964		1965		1966	
	U.K. £	Japan $	U.K. £	Japan $	U.K. £	Japan $
Total Pool earnings (gross).	35,387	2,881	Pool accounts finalised along with those of 1966	2,673	63,713	6,847
Indian group's entitlement	10,738	1,388		1,490	18,506	3,700
Indian group's earnings	10,650	1,325		1,441	18,664	3,446
Shipping Corporation's earnings	2,284	1,325		1,441	4,045	3,446
Under/over earnings of Shipping Corporation	35	(—)63		(—)49	4	(—)254

	1967		1968		1969		1970	
	U.K. £	Japan $	U.K. £	Japan $	U.K. £	Japan $	U.K. £	Japan $
Total Pool earnigs (gross)	31,482	10,467	74,320	4,296	75,672	—*	83,083	—*
Indian group's entitlement	9,106	3,476	20,766	2,100	21,094	—	24,595	—
Indian group's earnings	9,007	3,214	20,802	1,988	20,837	—	25,762	—
Shipping Corporation's earnings	2,050	3,214	4,630	1,988	5,569	—	6,171	—
Under/over earnings of Shipping Corporation	19	(—)262	(—)19	(—)112	(+)400	—	(—)424	—

(—) Under earnings.

*In the India-Japan trades, the pooling arrangement was discontinued since April/May 1969.

5·15. It will be seen from the above table that while the Company has generally been over-earner in the India-U.K. sector, it has been under-earner in the India-Japan sector in all the years. According to Audit Report as the pooling arrangements have ceased to exist in the India-Japan sector, the Company's earnings might be effected adversely by about $ 2,50,000 annually (Rs. 18·75 lakhs) unless there is a marked increase in freight bookings. In this connection, the Management have stated that, "prior to the introduction of the pooling, the Corporation was, in fact, able to carry substantial trade from the Japanese side. Due to the abolition of the pool system, the obligation on the part of the Corporation to provide a minimum number of sailings also does not exist. The Coropration would now be able to operate without any restrictions as to the number of sailings/earnings. It would be able to so adjust its sailings schedule as to earn the maximum revenue with the minimum number of sailings, keeping of course, the requirement and continued support of the trade in mind. In this context, the Corporation feels that the abolition of the pooling may not be detrimental to its interest.

5.16. The Committee enquired whether the Corporation considers its continuance as a member of India-U.K. pool economically advantageous and conducive to its interests. They were informed that in Conferences like the India-U.K.-Conference, where there is a money-pool arrangement, earnings of the individual flag groups are pooled and settlements are made according to the entitlements of the groups. Same is the case when inter-se settlements are made among the members within a flag group. In such a situation, it will not be in the interest of the members to remain as over earners since they would have to pay back to the Pool to the extent of their over-earnings. When the Member lines earn less than their entitlements, they receive payment from the pool to the extent of their under-earnings. Adequate safeguards are provided in Pool agreements against gross under earnings/over earnings. The Member Lines try to adjust their sailings and liftings, in the course of a Pool year, in such a way as to reach a position of near-parity vis-a-vis their entitlement, towards the end of the Pool-year.

5·17. The Corporation considers its continuance as a Member of the India-U.K. Pool advantageous and conducive to its interests.

5·18. Asked about the reasons for the Company being under earner on the India-Japan sector since 1964, the Committee were informed that the India-Japan trade falls into 2 categories viz. Calcutta-Japan sector and Bombay-Japan sector.

In the Calcutta-Japan sector while the Corporation had a pool share of 50% of the total trade, the sailings allowed to it were less compared to the number allotted to other lines with much lesser Pool share. Many of the foreign lines catered to this trade as part of their other services. Though their share in the Pool was very much less, in view of the number of calls they provide enroute mainly arising out of their lifting cargoes from other destinations, they very often emerged as over-earners. From the Corporation's point of view, it was not found to be economically advantageous to increase the sailings and emerge as over-earners in-view of the money Pool settlements involved. In spite of the limited number of sailings, their average liftings/earnings per sailing from

Calcutta to Japan, in all the years, has always been more than any other line. For example, for the Pool period November 1964 to October 1968 in Pool A1 (general cargo), the Corporation offered 57 sailings and their average liftings per sailing were 736 tons and average earnings per sailing US$ 9927, which was the highest among all lines. Corresponding figures for the line next after the Corporation (Mitsui O.S.K.) were 289 tons and US $ 5623 respectively. Similarly, in Pool A2 also Corporation average liftings for the same period were 5652 tons and average earnings US$ 32444 while that of the next line were liftings 3321 tons and earnings US$ 18191.

In the Bombay-Japan sector the number of sailings allotted to the Corporation were much less compared to their Pool share. While they held 45% share of the Pool trade, they had only approximately 10 % of the total number of sailings allotted to all Lines. While the Corporation always emerged as over earners in inward Pools due to availability of Yen credit cargoes, due to lesser number of sailings allocated in relation to the Pool share, they were under-earners in the outward run. The Corporation, has, however, met all its obligations in the Pool so as to secure payment from the Pool out of the over earnings of other members to the extent of its own under earnings. Further, the Corporation has been lifting substantial quantities of non-pool cargoes to make the voyages economically viable. In this case, the Corporation had the advantage that the earnings derived from the non-pool cargoes has not to be accounted and remitted to the pool. These earnings were in addition to the Corporation's earnings from the pool trade. While judging the economics of the operation of the India-Japan sector, both the Pool as well as non-Pool trades carried by the Corporation would have to be reckoned.

5·19. Asked about the results of the working of India-Japan sector after the abolition of the pooling system the Committee were informed that even after the abolition of the Pool, the Corporation's position remained more or less the same. However, as a result of the stoppage of Yen credit, there had been a drop in the movement of better paying cargoes and this to some extent affected the economics of operation. To off-set, this, the Corporation substituted smaller capacity ships in place of bigger ones, in this trade. The Corporation hoped that as the cargo movement picks up in the future, the Corporation would also provide bigger ships to cater to the then current requirements.

5.20. **The Committee note that as a result of stoppage of Yen credit there had been a drop in the movement of better paying cargo and this has adversely affected the economics of the operations on India-Japan Sector. Considering, however, the past trade achievements in the Calcutta-Japan and Bombay-Japan sectors and the potential growth of trade with Japan and the countries en-route the Committee suggest that the operation may be kept under review and suitable measures taken to augment them in the interest of foreign trade.**

C. Bilateral Agreement

5·21 The following bilateral shipping agreements have been entered into by the Government of India :—

India-Black Sea sector
India/U.S.S.R. service from 1956
India-U.K. sector
India/Poland service from 1960.
India/U.A.R. service from 1965.
India/German Democratic Republic service from January, 1969.

These agreements envisage equal sharing of cargo between India and the countries concerned both in tonnage as well as freight except in the case of United Arab Republic and German Democratic Republic where a certain portion of cargo movement has been earmarked for third flag group. The agreements do not, however, provide for the pooling of earnings, Among the three Indian lines operating in these services, the earnings are pooled and shared equally.

5·22. The performance of the Indian lines and the Company on those services is as under :

INDIA/U.S.S.R. SERVICE

(Metric tons and Rupees in lakhs)

Year	Total sailings	Total liftings M.Ts.	Total earnings Rs.	Indian sailings	Indian liftings M.Ts.
1	2	3	4	5	6
1964	134	7·70	810·79	53	3·18
1965	129	7·71	826·53	62	3·76
1966	117	7·17	676·31	50	3·27
1967	112	5·98	979·46	50	3·15
1968	143	9·23	1,244·10	62	4·31
1969	148	9·6	1,345·91	70	5·20
1970	148	9·4	1,371·91	58	4·09

(Metric tons and Rupees in lakhs)

Year	Indian earnings Rs.	Percentage of Indian earnings to total earnings (Col. 7 to 4)	Company's sailings	Company's liftings M.T.'s	Company's earnings Rs.	Percentage of Company's earnings to Indian earnings (Col. 11 to 7)
1	7	8	9	10	11	12
1964	352·25	43·4	16	1·07	120·88	34·3
1965	396·54	48·0	22	1·41	151·26	38·1
1966	319·13	47·4	17	1·02	106·03	33·2
1967	527·56	53·9	16	0·92	167·94	31·8
1968	612·96	49·3	21	1·34	201·00	32·8
1969	744·46	55·3	21	1·66	241·14	32·4
1970	606·21	44·2	19	1·44	214·55	35·4

India/Poland Service

(Metric tons and Rs. in lakhs)

Year	Total sailings	Total liftings M.Ts.	Total earnings Rs.	Indian sailings	Indian liftings M.Ts.
1	2	3	4	5	6
1964	77	4·20	420·97	28	1·35
1965	65	2·88	312·16	20	1·02
1966 ..	55	2·48	380·48	19	1·00
1967	81	3·67	595·57	28	1·16
1968	94	4·73	739·91	37	1·82
1969 ..	100	4·45	680·78	45	2·12
1970	89	3·98	660·01	35	2·10

(Metric tons and Rupees in lakhs)

Year	Indian earnings Rs.	Percentage of Indian earnings to total earnings (Col. 7 to 4)	Company's sailings	Company's M.Ts.	Company's earnings Rs.	Percentage of Company's earnings to Indian earnings (Col. 11 to 7)
1	7	8	9	10	11	12
1964 ..	127·13	30·2	9	0·53	61·67	48·5
1965 ..	115·37	37·0	8	0·36	38·74	33·6
1966	168·45	44·3	6	0·30	42·98	25·5
1967	173·12	29·1	9	0·30	46·03	26·6
1968	263·32	35·6	9	0·43	59·90	22·7
1969	289·14	42·5	17	0·79	117·09	40·5
1970	331·87	50·3	11	0·72	119·47	36·0

India/United Arab Republic Service*

(Metric tons and Pounds in lakhs)

Year	Total sailings	Total liftings M.Ts.	Total earnings £	Indian sailings	Indian liftings M.Ts.
1	2	3	4	5	6
1965	171	2·22	12·11	93	1·48
1966	182	1·78	10·53	114	1·00
1967	122	1·83	10·90	68	1·35
1968 ..	42	1·38	10·18	26	0·80
1969 ..	52	1·95	15·13	31	1·15
1970	56	2·14	19·05	35	1·45

(Metric tons and Pounds in lakhs)

Year	Indian earnings £	Percentage of Indian earnings to total earnings (Col. 7 to 4)	Company's sailings	Company's liftings M.Ts.	Company's earnings £	Percentage of Company's earnings to Indian earnings (Col. 11 to 7)
1	7	8	9	10	11	12
1965	7·98	65·8	29	0·55	2·96	37·1
1966	6·01	57·4	16	0·29	1·70	28·3
1967	8·31	76·2	23	0·28	1·63	19·6
1968 ..	5·97	58·7	7	0·12	0·99	16·6
1969	9·33	61·7	7	0·35	2·67	28·7
1970	12·52	65·7	11	0·45	3·58	28·6

*Commenced in January, 1965 only.

INDIA/GDR SERVICE

The cargo liftings and earnings in respect of India-German Democratic Republic service for the years 1969 and 1970 are given below :—

	India/GDR		GDR/India	
	Liftings F/T	Earnings US Dollars	Liftings F/T	Earnings US Dollars
1969—				
1. Total Trade	115,503	2,182,237	35,752	1,057,328
2. SCI's Entitlement 13·33% ..	15,397	290,892	4,766	140,977
3. Actual Performance	14,713	272,971	5,149	151,750
4. Percentage of 3 to 1	12·74	12·51	14·40	14·35
1970—				
1. Total Trade	128,008	2,566,541	21,573	745,677
2. SCI's Entitlement 13·33%	17,068	342,120	2,876	999,399
3. Actual Performance	21,161	427,318	5,057	172,042
4. Percentage of 3 to 1	16·53	16·65	23·44	23·07

5·23. It will be seen from the above tables that on India/U.S.S.R. service the Corporation has been under-earner during the years 1966 to 1969 and over-earner during 1970. On India/Poland service, the Corporation has been under-earner from 1966 to 1968 and over-earner during 1969 and 1970. On India/U.A.R. service, the Corporation has been under-earner throughout from 1966 to 1970. In the case of India/G.D.R. service, while the Corporation has been under-earner in 1969, it was over-earner in 1970.

5·24. The Committee enquired as to what are the factors responsible for the Corporation being under-earner during the years 1966 to 1969 in respect of India/USSR services, during 1966 to 1968 in the case of India/Poland service and during 1966 to 1970 in respect of India/UAR service. The Committee were informed that money pool had been introduced among the Indian Flag Group in the India/USSR trade, with effect from 1-1-1966. In view of the money pool, in adjusting the Corporation's sailings/liftings *vis-a-vis* other Indian lines the Corporation had to take care to see that it did not emerge as over carrier/over earner. The earnings of the participating members were pooled and distributed according to their entitlements.

5·25. The under-earnings during the year 1967 and 1968 in the case of the Corporation has been only marginal. During the years 1969 and 1970 however, the Corporation emerged as over earners/over carriers as could be seen from the following figures.

	Total Indian earnings (Rs. in lakhs)	Corporation's earnings (Rs. in lakhs)	% of Corporation's earnings to Indian earnings (Rs. in lakhs)
1969	744·46	252·42*	33·9%
1970	606·21	214·55	35·4%

*Including Rs. 11·28 lakhs for group charters.

5·26. Even though money pool was introduced in the U.S.S.R. trade there was no money pool arrangement in the adjoining areas like Rumania, Bulgaria, East Mediterranean ports etc. Efforts, were, therefore, concentrated on improving the Corporation's carrying position to the non-pool destinations. Following data concerning non-pool earnings of vessels employed in India-Black Sea sector would bear this out :—

Year	Scindias		India Steamship		Shipping Corporation	
	Lifting (Tons)	Earnings (Rs. in lacs)	Lifting (Tons)	Earnings (Rs. in lacs)	Lifting (Tons)	Earnings (Rs. in lacs)
1966 ..	8,828	15·60	9,933	11·72	38,386	53·89
1967	13,214	22·48	10,277	13·80	28,566	48·45
1968	9,533	16·79	7,033	10·20	17,633	30·84

5·27. It would be seen from the above figures that the Corporation's liftings and earnings in the non-pool sectors were uniformly more than the combined liftings of Scindias and India Steamships put together.

India Poland Service

5·28. The service to Poland is operated as part of the Corporation's service to the U.K.-Continent. Since the money-pool operating among the Indian lines applies not only to Conference areas like U.K.-Continent, but also to non-constitutional areas like India-Poland, India-Scandinavia, India-Finland, India-UAR and India-GDR, while determining the entitlement and liftings/earnings from Poland, the performance in the other sectors also had to be kept in mind with a view to ensuring that the Company did not emerge as gross over-earners/over carriers. Even with the restricted liftings in the Polish trade, the Corporation emerged as over carrier/over earners in the combined constitutional and non-constitutional Pool areas. Hence any additional performance in the Polish trade by Corporation would not have been financially advantageous. During 1969 and 1970, however, special efforts were made to ensure that the Corporation's performance in the Polish trade was on para with the other two lines. The following data would bear this out :—

Year	India Steamship		Scindias		Shipping Corporation	
	Lifting (Tons)	Earnings (Rs. in lacs)	Lifting (Tons)	Earnings (Rs. in lacs)	Lifting (Tons)	Earnings (Rs. in lacs)
1969	51,543	66·06	58,204	80·57	70,287	117·09
1970	62,654	98·81	67,005	102·20	72,252	119·47

As regards India/UAR trade, the Committee were informed that in the India/UAR trade, the broad arrangement for carriage of cargoes was as follows :—

(*i*) As and when UAR placed vessels for carrying their share of goods, the cargoes would be divided in the ratios 40:40:20 *i.e.* 40% each for the national lines and 20% for third-flag.

(*ii*) Whenever UAR side did not place adequate tonnage, the Indian Lines tried to cover to the extent of 50%.

(*iii*) SCI's obligation/entitlement was to the extent of 16·2/3% (*i.e.* 1/3 of 50% assuming that UAR flag vessels are unavailable for participating to the extent of their share).

5·29. From the following data, it would be seen that efforts have been made to ensure that SCI's entitlement is lifted as far as possible :—

Year	Total Trade		SCI Entitlement		Actual Performance	
	Lifting in F. tons	Earnings £	16·⅔% Liftings in F. ton	Earnings £	Liftings in F. tons	Earnings £
1966	1,77,832	10,52,973	29,638	1,75,495	29,284	1,69,042
1967	1,83,303	10,90,265	30,550	1,81,710	28,588	1,63,060
1/3rd group charter performance					19,111	1,22,339
					47,699	2,85,399
1968	1,37,920	10,18,203	22,986	1,69,701	11,678	98,919
1/3rd group charter performance					8,866	52,648
					20,544	1,51,567
1969	1,94,879	15,12,991	32,479	2,52,165	34,841	2,67,011
1/3rd group charter performance					2,983	24,2 91
					37,824	2,91,302
1970	2,23,695	18,86,324	37,282	3,14,387	40,425	3,25,216
1/3rd group charter performance					10,537	72,927
					50,962	3,98,143

Money pool was also introduced in the India/UAR trade from 1-1-1966. Here again, SCI had to restrict its liftings within its entitlement with a view to ensuring that it did not emerge as over-carriers/over-earners.

5·30. The Committee pointed out that although the bilateral agreements between India/USSR and India Poland envisage equal sharing of Cargo between India and the countries concerned the Indian lifting have generally been lower than 50%. They were informed that the shortfall in the liftings of Indian lines in certain years had arisen mainly due to (*i*) the overall control of the cargo being with the Soviet authorities and (*ii*) non-availability of proper statistics from Soviet side regarding the total cargo movement and their liftings. This resulted in the Indian line not being able to adjust their sailings and ensure parity in liftings before close of the year. Despite these the Indian lines had tried to lift the maximum possible cargoes and this was reflected from their liftings exceeding the parity in 1967 and 1969. In 1971 also, the Indian lines have exceeded their share. Further there is no money pool system in the Soviet trade. Despite the repeated insistence by the Indian lines of the need to have a money pool which alone can adequately ensure maintenance of parity by the two lines Soviet side had not agreed to this.

5·31. The disparity in 1968 was not much but in 1970 it increased and the Indo-Soviet Shipping Service brought this to the notice of the Soviet authorities. This issue was specifically raised in May 1971, at Odessa (USSR) during negotiations with the Soviet Shipping Authorities. The Indian lines also insisted on a money pool which was not accepted by the Soviet side. These matters figured during the Ministry level discussions held in India in November, 1971 also. After a series of discussions effective measures have now been devised for achieving parity through exchange of proper statistics for which specific authorities have been designated A special article has also been incorporated in 1971 protocol dealing specifically with the disparity aspect and reiterating the intention of both parties to achieve parity from 1-1-1972.

Indo-Polish Trade

5·32. The Indo-Polish trade covers both direct cargoes as also transit cargoes meant for/originating from Czecholsovakia, Hungary etc. While in the overall trade Indian lines liftings were less than parity taking the direct Indo-Polish trade alone the Indian lines have exceeded parity in liftings in 1969 and 1970. Shortfall in overall position is due to (1) overall control of cargo vesting with Polish Czechoslovakian and Hungarian foreign trade organisations both in case of exports and imports. Indian lines practically do not get a fair share of exports from India to Poland, Czechoslovakia and Hungary specially in the general cargo trade.

In the case of transit cargoes there is no bilateral Shipping agreement with Czechoslovakia and Hungary.

5·33. The disparity aspect was taken up both through foreign Trade Ministry and at the level of lines. Procedural details were also worked out recently for equitable sharing of cargoes. These steps would, it was expected improve the position in the current year.

5.34. **The Committee find that although bilateral agreements between India and U.S.S.R. and India and Poland provide for equal**

sharing of cargo between India and these countries both in tonnage as well as freight, the lifting and earnings by Indian lines have generally been lower than their share, due to reasons beyond their control. The Committee agree that in the circumstances money pool may provide the best guarantee of maintaining parity in letter and spirit in lifting the cargoes. The Committee would like Government to pursue this objective in the interest of ensuring equal share for lifting of trade cargo by Indian lines.

D. Operational Efficiency of Cargo Liner Services

5·35. The table below indicates the details of voyage days and delays in the various sectors except cargo-cum-passenger sectors, during the last six years :—

	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
No. of voyages, ...	79 ½	81	86½	84	130	156	144½
Voyage days :							
(*i*) In Ports	6,931	6,125	6,849	6,960	8,728	10,455	9,573
(*ii*) In Stream	4,233	4,159	4,909	5,960	7,782	9,567	9,061
TOTAL ..	11,164	10,284	11,658	12,920	16,510	20,022	18,634
Average days per voyage ..	140	122	135	154	127	128	129
Delays							
(*i*) Berthing	922	662	1,183	760	732	973	761
(*ii*) Repairs and Breakdowns	102	51	132	133	100	180	157
(*iii*) Non-readiness of cargo		44	143	57	102	127	105
(*iv*) Labour strike and shortage	519	316	178	141	302	338	428
(*v*) Others (fumigation, holidays etc.)	385	246	375	416	304	424	460
TOTAL	1,928	1,319	2,011	1,507	1,540	2,042	1,909
Percentage of delays to voyage days	17·3	12·8	17·3	11·7	9·3	10·2	10·2

5·36. It will be noticed that the voyage delays as a percentage to the total voyage days, have shown a declining trend except in 1966-67. In 1969-70, however, there is again an increase in the percentage of delays to total voyage days.

5·37. The sector-wise average number of days per voyage was as under :—

	1964-65		1965-66		1966-67	
	No. of voyages	Average voyage days	No. of voyages	Average voyage days	No. of voyages	Average voyage days
1	2	3	4	5	6	7
India U.K. ..	17	163	17	154	19½	158
India-U.S.A. ..	12	157	12	149	10	159
India-Japan	28	118	28	99	28	103
India-Australia ..	13	143	12	122	12	126
India-Black Sea ..	9½	141	12	137	8	147
India-East Africa ..	..	..	..	..	..	..
India-Rod Sea ..	..	..	..	..	..	..

	1967-68		1968-69		1969-70		1970-71	
	No. of voyages	Average voyage days	No. of voyage	Average voyage days	No. of voyage	Average voyages days	No. of voyage	Average voyage days
1	8	9	10	11	12	13	14	15
India U.K.	13	183	17	180	19	191	20½	194
India—U.S.A.	24	172	29½	161	38½	161	35½	171
India—Japan ..	26	120	29½	107	25½	99	26½	94
India—Australia ..	12	123	16	129	19	127	18	122
India—Black Sea ..	9	201	9½	197	13	219	11	208
India—East Africa			4	54	6	56	7	52
India-Red Sea ..	..	..	24½	57	35	60	26	52

5·38. According to Audit Report during the year 1967-68, the significant increase in the number of average voyage days in the India U.K., India U.S.A. and India-Black Sea sectors is explained as due to the closure of Suez Canal. In the year1968-69 there was an improvement in the average number of voyage days in the India-U.K., India-U.S.A., India-Japan and India-Black Sea sectors; In India-Australia sector the increase was due to the fact that a new service had been started from Bombay to Australia.

5·39. The Committee enquired the reasons for the significant increase in the number of voyage days on India/U.S.A., India Black Sea and India/U.K. Sectors. They were informed that the Sector wise average/

number of voyage days in the India/USA, India/Black Sea and India/U.K Sectors, during the four years—1967-68 to 1970-71 were as given below :—

(In days)

	1967-68	1968-69	1969-70	1970-71
India/U.S.A.	172	161	161	171
India/Black Sea	201	197	219	208
India/U.K.	183	180	191	194

5·40. The reasons for the increase in the average number of days, in certain years, were as follows :—

India/U.S.A. : In the India/U.S.A. sector during 1968/69 and 1969/70 there has been a decline compared to 67/68. The increase in 1967/68 was due to the closure of Suez Canal and consequent diversion of vessels *via* Cape. The increase in 1970/71 was due to the introduction of new service to the Great Lakes and Canada, in which, ten voyage were performed, with an average of 194 days. If this is excluded, the average for the rest of the U.S.A. service is only 162; which shows only a marginal increase by only one day.

India/Black Sea : In the India/Black Sea Service there has been an increase in the voyage duration during 1969/70 and 1970/71. The reasons for such increase are given below :—

(*i*) During 1969/70, the average cargo liftings increased for 17,394 tons in the previous year to 18,659 tons. The cargo liftings went up further to 19,036 tons in 1970/71. The extra cargo liftings partly account for the extra time taken for loading and discharging at ports during the voyage.

(*ii*) During these years, the Corporation had to lift substantial quantity of steel structurals. This cargo being over 30 feet in length, required special type of ships. Similarly, we had also to carry wagons to Hungary via. Rijeka which also required special type of ships. Such ships, as were available from the Corporation's fleet, were of a lower speed and consequently the employment of these ships in this sector affected the turn-round.

(*iii*) Vessels in the India/Black Sea run were also employed increasingly during these years for way-ports trade like Alexandria and Adriatic. This added to the voyage duration.

(*iv*) Cargo movement to Rumania and Bulgaria increased during these years. The ports in Rumania and Bulgaria were giving a very low despatch.

(*v*) After the closure of the Suez Canal, the burden of covering the Mediterranean and Adriatic ports has mainly fallen on the India/Black Sea Sector. Prior to that, these ports used to be the ships employed in the U.K. Continent and I.S.A. trades also.

Efforts have been made to avoid some of the Soviet ports where the discharge operations have been found to take longer periods. Due to persistent efforts, the Soviet side has agreed to the Corporation's avoiding calls at ports like Poti, Batumi, Zhdanov etc.

India/U.K. Sector : The trend in the average voyage days in the India/U.K. Sector, broken up into steaming and in port days, during the last five years has been studied. The detailed figures, in this regard, are given below :—

(in days)

Voy. days	1966-67	1967-68	1968-69	1969-70	1970-71
Steaming ..	59	84	89	92	92
In port ..	99	99	91	99	102
	158	183	180	191	194

5·41. It would be observed from the above figures that the average number of port days in this sector has been of the order of 99 days except in 1968/69 when it came down to 91 days due to a drop, to the extent of about 3,000 tons, in the cargo handled per voyage, during that year.

5·42. As regards the steaming days, the lesser number of steaming days in 1966-67 and Part of 67/68 has been due to the ships then plying *via* the Suez Canal. The slight increase in steaming days in 1969/70 and 1970/71 and the slight increase in the in-port days in 1970-71 have been due to the fact that the vessels plying in the U.K. Continent sector had also occasionally to call at some of the Mediterranean and Adriatic parts, in addition to the coverage of these ports given by India/Black Sea Sector. Calls at Adriatic Ports provided by India/U.K. Sector ships, after the closure of the Suez Canal, would mean diversion *v'a.* Gibralter, involving additional steaming days and also additional in Port stay at the ports concerned.

5·43. The Committee also enquired the steps taken by the Ministry to minimise the number of days lost at the ports due to various reasons. They were informed that berthing delays at Ports occur when there is very heavy spurt in traffic and congestion takes place due to bunching of ships. Such a situation had arisen at many Ports when there were very heavy imports of food-grains due to scarcity conditions in the country in the years 1965—67. As a result of these imports, many general cargo berths were used for unloading foodgrains. This resulted in reduced availability of berths for other cargo and led to abnormal detention of ships. This was an unavoidable situation; inspite of this, our Ports were able to handle such large additional imports for which they had not been able to plan. In the long run, Government tried to obviate the possibility of berthing delays by expansion of Ports and construction of new Major Ports under the successive Five Year Plan programme and

installation of mechanized equipment suited to each commodity. This is a process which is continuing according to the changing pattern of shipping and trade.

5·44. The Committee were also informed that during rain and inclement weather, work at the ports no doubt slowed down but not stopped ordinarily.

5·45. The following important measures have been taken to increase the through-put capacity for the principal commodities at a various Ports :—

(*a*) *Iron Ore*

As against the maximum draft of 38 ft. in Paradip to cater to 40,000 DWT vessels, the drafts available after completion of the Fourth Plan development programmes would be 52 ft. at Visakhapatnam, 42 ft. at Madras and 40 ft. at Mormugao. This would enable all these Ports to handle vessels of 60,000 DWT while Visakhapatnam would be able to handle 1,00,000 tonners. The increase in the loading rate from the present maximum of 25,000 tonnes a day to as much as 1,00,000 tonnes a day would quicken the turnround of vessels.

(*b*) *Fertilizers*

Fully mechanized fertilizer handling facilities are being provided at Haldia and Kandla to enable over 1 million tonnes of fertilizers being handled annualy at each of these two Ports. Extensive mechanical handling facilities for fertilizers are also contemplated at Cochin.

(*c*) *Oil*

Besides the Marine Oil Terminal at Butcher Island at Bombay which accommodates vessels with drafts of 34'-6", facilities are available for vessels with draft of 35ft. at Visakhapatnam and 30 ft. at Cochin. A draft of 42 ft. would be available at Madras on completion of the Oil Jetty. Similarly, at Cochin 40 ft. draft vessels would be catered to in the new Oil Dock proposed to be provided. At Haldia, the Oil Jetty was commissioned in August, 1968. As against the available draft of 30 ft. to 31 ft. now, the draft at Haldia is expected to increase progressively to 33 ft. in 1973 and go up to 39 ft. in 1975.

(*d*) *General Cargo*

The handling rate is intended to be stepped up by various methods of utilization. A large number of fork-lifts are being acquired during the Fourth Plan to permit increasing use of palletization. Apart from this, incentive wage payment schemes have been introduced at various Ports to increase the productivity of labour. The question of extending these schemes to additional categories of workers is also being reviewed.

5·46. As regards delays due to Labour Troubles at Ports, the Ministry stated that in order to prevent lighting strikes at the Ports, services in Ports and Docks have been declared as "public utility services" under the Industrial Disputes Act, 1947. Whenever disputes arise, all efforts are made at appropriate levels to resolve the same so that the Ports function smoothly. As already stated above, incentive schemes for Port labour have been framed at

all Ports. Various other concessions have also been given to the Port workers during the last 6-7 years as a result of which their terms of service have been improved very considerably. Their welfare is also being looked after in several ways.

5.47. **The Committee find that there has been large increase in the number of voyage days on some of the sectors specially on India-U.K. and India-Black Sea Sectors. The Committee were informed that the increase has been as a result of loading and unloading of extra cargo liftings, speed of steel carrying ships being lower, calling on way side ports or ports with very low despatch of cargo. The Committee recommend that it is essential for the economic working of the Corporation to reduce the voyage time by using the appropriate type of vessel for the nature of cargo lifted, especially for the transportation of steel items. The Corporation should also review their schedules in regard to calling at ports in out-of-the way places keeping in view the trade prospects in such ports.**

5.48. **The Committee also note that overall delays in the ports have incerased from 9.3 per cent of the voyage days in 1968-69 to 10.2 per cent in 1969-70. The largest number of days lost was due to berthing days which were as high as 973 days in 1969-70. The Committee were informed that various measures have been instituted by Government to obviate such berthing delay e.g. expansion of existing ports and construction of new major ports under successive Five Year Plan Programmes and installation of mechanised equipment suited to each commodity.**

The Committee recommend that continuous efforts should be made to improve turn-round of ships by bringing down the average voyage days and, the delays at the ports to improve the operating results of the Corporation.

E. Financial Results of Cargo Liners

5·49. The table below indicates the financial results of the cargo liner services for the last four years :

(Rupees in lakhs)

Year	Profit
1967-68	538·86
1968-69	468·97
1969-70	437·78
1970-71	440·12

5·50 Statements showing sector-wise average cargo per voyage (in revenue tons), average freight per voyage and per revenue tons and net profit earned/loss incurred during the last four years (1967-68 to 1970-71) are given in Appendices V and VI.

5·50A. The Committee were informed by Audit that although there was increase in the tonnage acquired by 24% (approximately) and increase in the number of voyages by 54·8% and voyage days by 27·8% (approximately) mainly resulting from addition to the tonnage and partly on account of better turn round in 1968-69, the overall profit in 1968-69 had come down by Rs. 69·89 lakhs. The Ministry have stated (May, 1970)that the additional tonnage was utilised in the new service in India U.S.A. (Pacific) Sector and in the promotional ventures where the expenditure was disproportionately more than the revenue and that, in the established services, both earnings and expenditure had come down during 1968-69 as compared with 1967-68 although reduction in expenditure was not proportionate to the reduction in earnings.

5·51. It has however been pointed out by Audit that so far as new services (including promotional ventures) are concerned, there was a net profit of Rs. 8·75 lakhs (after adjusting a loss of Rs. 23·35 lakhs in the promotional ventures). In the established services, while the earnings came down by Rs. 113·42 lakhs in 1968-69, the decline in expenditure was of the order of Rs. 34·78 lakhs. There was thus a reduction in profit in the established services in 1968-69 by Rs. 78·64 lakhs, despite the increase in :

(*a*) number of voyages from 84 in 1967-68 to 89 in 1968-69, and

(*b*) overall improvement in the working results of all the sectors except India—U. K. and India—U.S.A. by Rs. 48·37 lakhs.

5·52. The main reason for not maintaining the profitability in the cargo liners at the same rate as that of 1967-68 according to the analysis done by audit, was due to following factors—

(*a*) Substantial reduction in the cargo (revenue tons) carried per voyage in the India-U.K. and the India—U.S.A. (Atlantic) sectors during 1968-69. Consequently, the average freight earned per voyage showed a marked decline in those sectors. The decline in average cargo carried per voyage during 1968-69 resulted in loss of earnings of about Rs. 231·59 lakhs in these two sectors (at the average freight per revenue ton earned in 1968-69).

On the basis of the direct operating expenses incurred per ton on these sectors during 1968-69 and assuming the same as entirely variable the, additional cost which would have been incurred to yield the above earnings would have been Rs. 96·30 lakhs on the quantity of 1,04,545 Revenue tons carried less on these sectors. The loss of profit on account of cargo carried less as compared with 1967-68 would, therefore, work out to Rs. 135·29 lakhs approximately (*i.e.* earnings of Rs. 231·59 lakhs less direct expenses of Rs. 96·30 lakhs).

(*b*) Lower average freight per revenue ton in the India—U. K. and the India—U.S.A. sectors (total short earnings on this account being Rs. 36·33 lakhs on the cargo carried).

5·53. The Committee were informed that the main reasons for the decline in the profits of cargo liner services during 1968-69 have been the following:—

(*i*) Stevedoring and other cargo handling expenses which constitute a major portion of the direct operating cost registered a sharp and disproportionate increase during 1968-69. The average cargo handling cost increased from Rs. 36 per ton in 1967-68 to Rs. 43 during 1968-69. Had the same average rate per ton cost of 1967-68 been maintained during 1968-69, the profit would have increased by Rs. 1·40 crores.

(*ii*) A world wide increase in price of new ships led to increased allocation on account of depreciation, insurance and interest payments. In the item of interest alone, there has been an adverse impact on the profit during 1968-69 to the extent of over Rs. 45 lakhs.

(*iii*) Steep increase in marine insurance expenses during 1968-69 compared to the previous year.

(*iv*) A comparative decline in the import of capital equipment and machinery which constituted high-freighted cargo on account of change in the cargo-mix in the country's international trade. This resulted in reduced earnings in certain sectors of the Corporation's cargo liner trade.

(*v*) Due to curtailment of U. S. Aid, there was appreciable reduction in the import of cargoes from U.S.A.

(*vi*) Loss to the extent of about Rs. 24 lakhs incurred by the Corporation in the promotional ventures started during the year.

INDIA—U.S.A. SECTOR

Apart from the adverse factors mentioned above, one other reason which affected the profits of this sector has been the reduction in the earnings during the year on account of the comparative decline in the import of capital equipment and machinery which constituted high freighted cargoes on account of change in the cargo-mix in the country's international trade and the appreciable reduction in the import of high freighted cargoes from the U.S.A. on account of curtailment of U. S. Aid. While the expense to be incurred in a voyage would more or less remain at the same level any reduction in the earnings due to the change in the cargo mix has a direct impact on the profit of such voyages. These factors, it would be appreciated are beyond the control of the Corporation. Further, particularly in the U.S.A. Atlantic trade, it may be pointed out that, during the year 1968-69 the Corporation could perform only 21 completed voyages as against 24 in the previous year. The Corporation is running a fortnightly service in this sector and 3 voyages which would have normally formed part of the voyages for 1968-69, could not be reckoned as completed voyages during this year, since the completion of these voyages got postponed due to the prolonged strike of longshoremen in U.S.A. While most of the expenses (standing charges) of these voyages have been taken into account during 1968-69 financial year, the earnings could not be taken as a result of the non-completion of these voyages.

INDIA—U. K. SECTOR

In regard to the decline in the average liftings per voyages in 1968-69 as compared to 1967-68, it may be stated that the total trade to and from U.K. stood at 1·3 million tons in 1967 as against 1·07 million tons in 1968 accounting for a decline of 0·23 million tons. Similarly, the Continental trade which stood at 0·77 million tons in 1967 fell to 0·64 million tons in 1968 accounting for a decline to the extent of 0·13 million tons on the basis of their individual entitlement in the respective trades, this meant a loss of approximately 42,000 freight tons in 1968-69 as compared to the previous year or 2,500 tons per voyage, which mainly account for the decline in performance in 1968-69, as compared to 1967-68.

5·54. The Committee were also informed that the Corporation has taken steps to improve the liftings and earnings in these sectors by lifting full load fertilizers, sulphur etc. during return voyages and by stepping up its cargo canvessing efforts.

5·55. The following figures of average per voyage liftings and average per voyage earnings for the years 1968-69, 1969-70 and 1970-71 clearly bring out the improvement achieved in this regard.

	1968-69		1969-70		1970-71	
	Liftings (Tons)	Earnings Rs. in lacs	Liftings (Tons)	Earnings Rs. in lacs	Liftings (Tons)	Earnings Rs. in lacs
India—U.K. ..	17,110	33·06	19,725	41·40	19,589	43·09
India—U.S.A. Atlantic ..	17,382	43·12	18,795	47·86	19,225	55·73

5·56. The Committee were also informed that in the Corporation, the operation of each vessel and each voyage is constantly and continuously watched through a system of monthly report to the chief executive. A register showing the performance of each voyage, giving details like, liftings, earnings, net results etc. is maintained and submitted to the management. This register also indicates the comparative results of the voyages performed during the corresponding period of the previous year. This system enables the management to know the trands in each sector almost concurrently. Whenever a decline in the trend of cargo liftings/earnings or in the profitability of any voyage is observed immediate, action is initiated to correct the same. In so far as the two sectors under consideration are concerned, to ensure better utilisation of capacities, the Corporation has been lifting full load lower freighted cargoes like fertilizers, sulphur etc. during the return voyages, whenever better paying cargoes were not available. Simultaneously, it also stepped up its cargo canvassing efforts with a view to secure higher quantum of cargoes as well as better paying cargoes. The voyages were also rationalised.

5·57. The Committee also enquired the reasons for decline in revenue tons in India/U.S.A. Pacific, Calcutta-Japan and Calcutta-Australia services

during 1970-71 as compared to 1968-69. The reasons in this regard were stated to be as follows—

India-U.S.A.—Pacific Service

This service was started in 1968-69. Though during this year the average revenue tons carried per voyage was 17,074 and it dropped to 15,057 in 1969-70, the average earnings per voyage increased from Rs. 44·06 lakhs in 1968-69 to Rs. 49·87 lakhs in 1969-70. During 1970-71, the average liftings per voyage was 15,648 tons while the earnings increased to Rs. 54·51 lakhs. It would be seen from the above figures that the average per voyage earnings have increased substantially from year to year though there was a drop in absolute terms in the average per voyage liftings. Though during 1969-70 and 1970-71, there was apparent decline in the per voyage revenue tons carried, from the earnings point of view, the position was different. During these years, there had been considerable movement of cotton and newsprint in this sector. The freight charged for this commodity was based on the dead weight, in this sector. One dead weight ton of cotton stows about 110 cu. ft. and one dead weight ton of newsprint about 90 to 95 cu. ft. While the ships space was fully utilised, in terms of dead weight the tonnage would be lower since the revenue ton was the dead weight ton. The apparent drop in the per voyage liftings was therefore because of the change in the cargo mix as would be evident from the fact that the Corporation earned higher revenues per voyage progressively during these years.

Calcutta-Japan Service

There had been considerable decline in the cargo movement from Calcutta to Japan during the last 2 years. Two important commodities which were moving in this sector were pig iron and scrap. The movement of pig iron had been stopped. The export of scrap except millscale had been banned by Government. Further, as a result of stoppage of Yen credit, there had also been a drop in the movement of machinery and other high freighted cargoes from Japan to India. Consequent on this development, the Corporation decided to employ smaller ships in this sector in place of bigger ones earlier employed so as to ensure maximum utilisation of the capacity of the ships. It is because of the utilisation of the smaller ships that the per voyage liftings in this sector has come down. The cargo movement from Japan to India has now picked up and the cargo mix has also improved. The Corporation is constantly reviewing this position and it would employ bigger ships depending upon the requirements at each time.

Calcutta-Australia Service

The per voyage liftings in 1968-69 was higher in this sector mainly because of the movement of grain from Australia during that year. When the grain movement stopped, the Corporation made efforts to obtain other cargo of better paying type and the success achieved in this regard was borne out by the average per voyage freight earnings during 1968-69. Though the per voyage liftings went down in 1969-70, the Corporation was able to not

only maintain but slightly improve its earnings per vogayage during this year. The per voyage earning which was Rs. 30·01 lakhs in 1968-69 increased to Rs. 30·93 lakhs in 1969-70. In 1970-71, liftings as well as earnings per voyage increased to 14,509 tons and Rs. 35·39 lakhs respectively.

5·58. The Committee were also informed that over all freight earnings and cargo liftings during the last three years were as follows :

Years	Freight Earnings	Cargo Liftings	Freight per ton
	Rs. in lacs	Tons	Rs.
1968-69	3,479·29	20,37,224	171
1969-70	4,431·69	23,23,498	191
1970-71	5,103·98	24,29,668	210

5·59. The Committee were informed that the increase in the average revenue per ton is partly due to the improvement in the cargo mix achieved by better capacity utilisation and also partly due to increase in freight rates in certain sectors in certain areas. It was difficult to quantity the amounts attributable to these 2 different causes. A statement giving the average percentage utilisation of the capacity in each sector for the last 3 years is given in Appendix VII. It will be seen from the statements that the overall percentage capacity utilisation of all the services put together increased from 82·86% in 1968-69 to 85·13% in 1969-70 and further to 89·30% in 1970-71, showing a consistent improvement in the capacity utilisation. A statement giving the freight increase during the last 3 years in each sector is given in Appendix VIII.

5.60. **The Committee find that the profits earned by cargo liner services had come down from Rs. 538.86 lakhs in 1967-68 to Rs. 440.12 lakhs in 1970-71.**

There had been substantial reduction in the net profits earned on various sectors e.g., India-U.K. Continent, India-USA (Atlantic), West Coast India-Japan and East Coast India-Australia in 1970-71 as compared to 1967-68. The East Coast India/Japan service also continued to suffer heavy losses and it incurred a loss of Rs. 13.79 lakhs in 1970-71.

It is significant to note that there has been reduction in profits despite the increase in freight rates on some of the sectors and consequently higher earnings during these years. It is understood that the reduction in profit is mainly on account of increase of stevedoring and other cargo handling expenses, and change in cargo mix in the ocuntry's international trade. Another reason for decline in profits is stated to be substantial reduction in revenue tons carried during 1970-71 as compared to 1967-68 e.g. in case of India-Japan and Calcutta-Australia services. In the case of India-USA (Pacific) service also which started in 1968-69, the cargo carried has come down from 17074 in 1968-69 to 15648 in 1970-71.

The Committee would stress the imperative need for reducing the operating cost to improve the profitability of the cargo liner services and recommend that steps should be taken to improve earnings by maximum utilisation of capacities and by securing better paying cargo. A constant watch should be kept on the operation of each vessel to achieve the maximum revenue.

F. Passenger Services

5·61. The Corporation is operating two passenger-cum-cargo services, India—East Africa (commenced in 1954-55) and India-Straits (Commenced in 1950-51). The number of passengers carried during the years 1964-65 to 1970-71 on these services is indicated below—

Year	India-East Africa	India Strait
1964-65	13,293	33,552
1965-66	14,578	33,001
1966-67	15,719	34,912
1967-68	12,265	34,109
1968-69	11,336	32,850
1969-70	12,890	30,349
1970-71	11,093	28,001

5·62. The Corporation is employing two old vessels in these services, one twenty three years old and the other twenty-one years old.

5·63. The results of both the services for the last seven years were as under :—

(i) India—East Africa Service

(Rs. in lakhs)

Year	Passage	Freight	Mis. Revenue	Total	Total Operating expenses	Standing charges	Other expenses(Depreciation Interest etc.)	Total expenses	Net profit (+) Loss (—)
1	2	3	4	5	6	7	8	9	10
1964-65	35·12	18·96	2·08	56·16	24·64	30·54	9·93	65·11	(—) 8·95
1965-66	39·61	25·30	1·63	66·54	27·86	23·37	12·45	63·68	(+) 2·86
1966-67	65·53	31·65	2·93	100·11	38·41	34·17	14·39	86·97	(+)13·14
1967-68	62·40	34·14	0·72	97·26	33·03	38·89	18·21	90·13	(+) 7·13
1968-69	55·82	39·99	3·44	99·25	36·77	56·22	16·21	109·20	(—) 9·95
1969-70	..	..	..	..	..	..	..		(—) 9·79
1970-71	..	..	..	..	..	..	..	..	(—) 19·64

(ii) India Straits Service

(Rs. in lakhs)

Year	Passage	Freight	Miscellaneous Revenue	Total	Total Operating expenses	Standing Charges	Other expenses (Depreciation Interest etc.)	Total expenses	Net Profit (+) Loss (—)
1	2	3	4	5	6	7	8	9	10
1964-65	49·34	10·92	2·59	62·85	25·61	40·42	10·28	76·31	(—)13·46
1965-66	47·81	10·82	2·74	61·37	25·52	21·30	13·45	60·36	(+) 1·01
1966-67	75·18	18·41	4·76	98·35	37·37	32·20	15·23	84·80	(+)13·55
1967-68	84·53	18·07	0·72	103·32	47·60	37·63	11·16	96·39	(+) 6·93
1968-69	85·26	19·93	5·10	110·29	49·53	65·09	11·37	125·99	(—)15·70
1969-70	..				..				(+) 9·36
1970-71	..	..	..	..	..	..	..	..	(—)20·96

5·64. The profitability in both the sectors has shown a downward trend from 1967-68 onwards and has utlimately resulted in a loss of Rs. 25·65 lakhs in 1968-69. During 1970-71 the total loss suffered increased to Rs. 40·60 lakhs. This may be attributed partly to an increase in the operating expenses and largely to a sharp increase in the standing charges due the aging of the vessels. The Management have recently placed orders for two passengers-cum-cargo vessels with an Indian shipyard for the replacement of existing vessels.

5·65. The Committee enquired as to when the replacement of the existing vessels was considered necessary and when was the proposal for replacement first mooted.

They were informed that "State of Bombay" and "State of Madras" were built in 1948 and the normal life span is generally reckoned to be 20 years. However, many passenger vessels continue to be used even after this period. The replacement proposals were first mooted in 1964-65.

5·66. The replacement orders could not however be placed earlier because shipyards are generally reluctant to build passenger vessels on account of their highly specialised and non-repetitive character. In a few cases where shipyards were willing to accept orders, suitable payment terms could not be arranged. Ultimately, it was decided to build these ships in India as this was within the indigenous building possibilities rather than to place orders in foreign shipyards with consequent heavy outlay of foreign exchange.

5·67. The Committee were also informed that order for 2 passenger-cum cargo liners for the replacement of "State of Bombay" and "State of Madras' was placed in June 1968. The vessels are due for delivery in Octob r 1973 and April, 1975 respectively.

During evidence the Committee pointed out that the s eed of the ship "State of Madras" from Madras to Singapore was very much less, only six knots and it takes six days to reach Singapore from Madras. If the speed was increased to 20/21 knots, the number of days would also be reduced and the passengers might prefer to travel by ship instead of by air. The Chairman, SCI stated as follows:—

> "Air traffic is not a very relevant factor in that sector because the people travelling are relatively poor. But what is important is that passenger traffic itself is declining for other reasons. So far as the ship is concerned, it is undoubtedly true that it is an old ship. But when we have a new ship, it will have a speed of 17 knots and it will be a modern vessel and we will be able to get rid of the present difficulties. But, I would like to say the overall traffic is declining in both the sector".

5·68. The Chairman, SCI further informed the Committee that as these vessels had become very old, there was no hope of showing good operating results until and unless these ships were replaced by new ones.

5·69. In reply to a question the Committee were informed that "The passenger ships were extremely expensive to build and extremely expensive to operate and there was a limit to which they could have passenger fare increased. The passenger traffic was dwindling all over the world."

5.70. **The Committee regret to note that the Corporation has suffered a loss of 40.60 lakhs in 1970-71 on the operation of two passenger-cum-cargo services to India/East Africa and India/Straits. The main reason advanced for the heavy loss suffered on these services is that there was a sharp increase in the standing charges due to the aging of the vessels which were built in 1948. It is surprising that although the proposal for replacement of these vessels was first mooted in 1964-65, the orders for two new passenger-cum-cargo liners were placed on Mazagon Dock Ltd., only in June, 1968 and these are scheduled to be supplied by October, 1973 and April, 1975. The delay of about 4 years in placing orders can hardly be justified It has been admitted by the Management that there was no hope of showing good operating results until and unless these ships were replaced by new ones.**

The Committee recommend that Mazagon Dock Ltd. may be urged to supply the ships at the earliest.

5.71. **Government/Corporation should ensure that orders for replacement of old ships or for adding new ships are placed well in advance so that the new ships become available in time for maintaining efficient service and obviate losses.**

G. Tankers

5·72 The Company entered the overseas tanker trade in 1964-65, with the acquisition of one tanker in 1964-65 and another in 1965-66. Orders for two more tankers of 1,00,000 G. R. T. were placed in 1966-67. These two tankers were delivered in September 1969 and June 1970.

5·73 As a part of the Corporation's expansion programme of building up a large tanker fleet, orders were placed with Split Shipyard in Yugoslavia in the year 1969-70 for building two tankers of 81,000 D.W.T. each with a built in capacity of a larger dead weight at a deeper draft, These tankers are expected to be delivered in 1974.

5·74 The financial results of Corporation's overseas tanker operations over the last seven years are given below :—

Year	Profit (Rs. in Lakhs)
1964-65	13·02
1965-66	15·26
1966-67	26·43
1967-68	18·87
1968-69	7·53
1969-70	6·99
1970-71	236·16

5·75 The decline in the profits during 1967-68 and 1968-69 is attributed to non-revision of rates (fixed in rupees) consequent upon devaluation in respect of one tanker (M. T. Deshbandhu).

5·76 The tanker (M. T. Deshbandhu) was chartered out to the oil company in April, 1964 for a period of ten years @ Rs. 11·34 per D.W.T. per month (i.e. the rupee equivalent of Sh. 17 on the date of entering into the agreement). In 1966, the Company took up the question of revision of the charter rate due to devaluation but the oil company refused to increase the rate on the ground that the charter hire was mentioned in rupees only. After persistent efforts by the Company, the oil company agreed to increase the rate to Rs. 13·50 per D.W.T. per month from June, 1969.* On the rate of the loss suffered by the Company in 1968-69 and allowing for the increase in charter rates from June, 1969 it may incur a further loss of Rs. 15 lakhs during the remaining charter period of five years. In this connection the Management have stated as under:—

(i) The charter hire rate of rupee equivalent of Sh. 17 negotiated and settled in 1962-63 was the best rate obtainable for such a charter and for such a vessel in the then international market.

*At the time of factual verification it was stated that with effect from 1-1-1971 the Corporation has got an increase in the charter hire rate from m.t. DESH BANDHU from Rs. 13·50 per dead weight per month to Rs. 14·71 per dead weight per month. This was obtained by negotiations with the charterers.

(ii) The rate of Rs. 11·34 representing the rupee equivalent of Sh. 17 on the date of signing of the charter party, was subsequently stipulated in the charter party because....from the very beginning the charterers had wanted it to be so. The Government of India also had approved of the charter hire rate being fixed at the rupee equivalent of Sh. 17 ruling on the date of the time charter party was signed.

(iii) The charter party has been drawn up based on international practice and that it was not the practice to provide for any clause protecting the owner against any possible devaluation.

(iv) The charter party of Deshbandhu has been concluded in terms advantageous to the Corporation, particularly in the matter of speed, fuel consumption, etc.

5·77 During evidence the Committee enquired as to what was the percentage of crude oil import being carried by the Company's tankers. The Chairman, SCI stated that at present it is a very small percentage. Only one tanker was carrying oil to vizag. This was specifically acquired for that purpose. There were two other tankers viz. M.T. Lal Bahadur Shastri and M.T. Jawaharlal Nehru meant for refinery in Madras. But they were currently employed in world trade, because of lack of port facilities. The fourth tanker viz. M. T. Lajpat Rai was also in world trade and it was specifically acquired for international trading.

5·78 In reply to a question, the Committee were informed that the two large size tankers, Jawaharlal Nehru and Lal Bahadur Shastri were acquired 18 months back. Asked about the reasons for acquiring these two tankers so much earlier when the port facilities would only be ready after about 30 months, the Chairman, SCI stated that they acquired the tankers in accordance with the programme of development. The port facilities had unfortunately been delayed. But they were earning valuable foreign exchange. As these tankers could not be utilised for the refineries in India, therefore, as a second alternative they had to fall back upon acquiring foreign exchange, though it was not the purpose originally. They were making money on them both rupee profits and foreign exchange savings.

5·79 The Chairman of SCI further stated that the tanker, 'Jawaharlal Nehru' had been chartered to an Italian party, namely AGIP and the tanker 'Lal Bahadur Shastri' was chartered to a Scandinavian party. The other tanker namely Lajpat Rai had been chartered to British Petroleums. These tankers were for worldwide operations.

5·80 The Committee enquired whether the Company had made a comparative study of the economics of charters employed for carrying crude to India and what profits would have been if these tankers could have been used by them instead of chartering them away. The Chairman, SCI stated that they had made much better profits by chartering them away because at that time the market was good and the rates were lower and they would not have made that much of profit here.

5·81 In reply to a question, the Chairman Shipping Corporation of India stated that they expected 100% port facilities in Madras by 1972-73. He further stated that for Madras and for Cochin, the tankers would be delivered by 1974 and after the port facilities were ready by 1975, they would be able to carry 100% of crude oil for Madras and Cochin Refineries, The Chairman, Shipping Corporation of India further stated that they had acquired tankers on the basis of economic analysis of the optimum size. If they had acquired smaller tankers to come into port, this would have been uneconomic. Tankers of 75,000 to 80,000 DWT were economic.

5.82. **The Committee note that two large size tankers viz. 'M.T. Jawaharlal Nehru' and 'M.T. Lal Bahadur Shastri' had been acquired in September, 1969 and June, 1970 much earlier than the development of port facilities and because of the delay in building up of appropriate handling/servicing facilities at the ports, the two big tankers had to be chartered to foreign oil companies, while the crude was being brought to India in foreign ships. The Committee regret to observe the lack of synchronisation between the developments of port facilities and acquisition of the tankers. The Committee would stress the need for developing necessary facilities without delay in the major ports so that the Indian tankers could be used for bringing crude to the country.**

Meantime the Committee note the assurance given by the Corporation that they "had made much better profits by chartering these ships away because at that time the market was good and the rates were lower and it would not have made that much profit here".

VI

OPERATIONS—COASTAL SERVICES

A. Agency Services

6·1. The Shipping service between Mainland and Andaman and Nicobar Islands is being maintained at present with four vessels, viz. two passenger cum-cargo vessels, M.V. "Andaman" and "State of Bombay" and two cargo vessels M. V. "Nicobar" and M.V. "Shompen". The vessels M.V. "Andaman" and M.V. "Nicobar" are owned by the Government of India and the Company acts as agents for manning and running them. The other two vessels, viz. "State of Bombay" and M.V. "Shompen" are owned by the Company.

6·2. The inter-island services are maintained by three passenger-cum-cargo vessels—S.S. "Cholunga" and T.S.S. "Yerewa". Owned by the Government and T.S.S. ONGE owned by the Corporation. The Company acts as agents for the manning and operations of ships owned by the Government. In addition, the Company is manning Government owned vessel M.V. "Laccadive" plying between Mainland and Laccadives.*

6·3. Losses on the running of the vessels owned by Government are met by Government. Besides, by way of agency remuneration, the Company is paid Rs. 50,000 for the operation of the five vessels.

6·4. Commenting on the agency services between Mainland and Andaman, the Committee on Public Undertakings in para 48 of their third Report (March, 1965) observed that the arrangement under which only the operation of the vessels is looked after by the Company and the entire expenses incurred are reimbursed by Government, would leave little incentive to the Company to ensure efficient and economic operation. The Committee, therefore, desired that these arrangements should be reviewed in the light of the observations made by it. Government in their reply (September, 1967) stated that, "they have decided that the complete operational control over these services may be transferred to the Shipping Corporation of India. It has also been decided that in future all ships to be acquired for these services should be owned by the Shipping Corporation." In December, 1968, at a meeting held in the Ministry of Transport and Shipping it was *inter alia* decided that with a view to improving the efficiency of the services and effecting economy in the operation, the Company should take complete control of the services and establish its own office at Port Blair at an early date. The operational control of the services has, however, not been handed over to the Company so far.

6·5. In the meeting referred to above, it was also decided that—

(a) the company should be re-imbursed the losses which it might incur in operating the Mainland-Andaman Islands and inter-islands services,

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* At the time of factual verification it was stated that the Corporation acquired a new passenger-cum-cargo ship m.v. "Amindivi" which was delivered on 22-2-1970 and commissioned in the Laccadive service in April, 1970.

(b) the arrangements for re-imbursement of the losses should be made applicable to all the vessels in this sector, and

(c) in view of the fact that the above considerations as applicable to Andaman sector apply to the Laccadives shipping service also, the Company should be re-imbursed losses which it might incur in running these services also.

6·6. The Corporation claimed in October, 1969 a loss of Rs. 92·98 lakhs till the end of March, 1969, on the operation of the vessels owned by it as indicated below :—

(Rupees in lakhs)

	Earnings collected by the Company	Expenditure	Excess of expenditure over earnings
1967-68			
State of Bombay	18·52	47·92	29·40
Sbompen	3·22	5·53	2·31
	21·74	53·45	31·71
1968-69			
State of Bombay	17·00	78·27	61·27
	38·74	131·72	92·98

6·7. As against the figures of losses mentioned above, the amount taken credit of as recoverable from Government in the accounts for 1967-68 was Rs. 25·52 lakhs, representing the standing charges less certain adjustments in respect of T.S.S. "State of Bombay" only and that in the accounts for 1968-69, Rs. 54·23 lakhs in respect of both the vessels. There was actually a profit of Rs. 5·24 lakhs in respect of MV "Shompen" in 1968-69, but this was ignored while preferring claim for the loss in 1968-69*.

6·8. In respect of the vessels owned by the Corporation and operated on behalf of the Government the amount of losses for which credit was taken in the accounts for 1969-70 was Rs. 37·25 lakhs on the basis of approximate working made at that time. Subsequently when the accounts were finalised and audited, the losses worked out to Rs. 43·01 lakhs as shown below :

(Rupees in lakhs)

	Earnings collected by the Co.	Expenditure	Excess of expenditure over earnings
S/O Bombay	30·07	65·80	35·73
Shompen	27·90	27·28	0·62 (Profit)
Onge .. .. (Commissioned on 7-12-1969)	0·76	8·66	7·90
Total	58·73	101·74	43·01

*At the time of factual verification it was stated that this profit of Rs. 5·24 lakhs has since been adjusted against the losses of the other two vessels and only the balance of loss has been claimed and reimbursed by Government.

6·9. The Committee enquired whether Government had re-imbursed the losses which the Corporation had incurred on the operation of its own vessels on the Mainland-Andaman-Island and Inter-Island Services. The Chairman, SCI informed that they had been re-imbursed an amount of Rs. 126·62 lakhs for the losses suffered during the years 1967-68, 1968-69 and 1969-70. So far as future was concerned, Government had taken a decision that they will re-imburse upto 80% of the losses and not the full losses.

6·10. The Committee also enquired as to why the operational control of the agency services between Mainland and Andaman had not been handed over to the Corporation.

They were informed that before transfer of the operational control of the entire service to the Shipping Corporation, it was necessary to take a decision regarding reimbursement of losses that would be incurred by them for running their own vessels in these services. Although in the meeting on 18-12-68 it was decided that the SCI should be reimbursed the losses, in subsequent discussions with the Ministry of Finance, the latter wanted to have a very detailed analysis and break-up of the losses before confirming this dicision. Protracted notings followed but no agreement could be reached. Finally, the matter was placed before the Committee of Economic Secretaries, who in their meeting held on 14-4-1970 decided that the losses incurred by the SCI for 1967-68, 1968-69 and 1969-70 should be reimbursed in consultation with Ministry of Finance, but for 1970-71 and subsequent years, the matter should be considered by a Study Group, which would also examine various other problems regarding this service. The Study Group in question recommended in their Report dated 26-4-1971 that from 1970-71 onwards also the Government should make good the entire loss that the Corporation might incur on the service. The Study Group also recommended that the Corporation should open their own office at Port Blair to facilitate better operational control on the service and that the expenses incurred on this office should also be taken into account while reimbursing the losses. The Report of the Study Group was considered by the Committee of Secretaries in July, 1971, and the decision, which was conveyed to the Ministry on 28-10-1971, was to the effect that from 1970-71 onwards the Corporation should be reimbursed only 80% of the losses incurred by them on the services operated with the vessels owned by the Corpn. They, however, accepted the other recommendation regarding opening of Shipping Corporations' office in Port Blair and its cost being taken into account for purposes of calculating the losses. The Corporation to whom the decisions were communicated for early implementation have intimated that while they consider the decision to re-imburse only 80% of the losses as inequitable and would make a representation to Government in this regard shortly, they are taking steps to open their office at Port Blair.

6·11. Thus the transfer of the operational control of the entire service to Shipping Corporation is now only awaiting the opening of an office at Port Blair by the Corporation. They had been reminded to expedite it.

6.12. **The Committee find that heavy losses have been suffered on the running of the services between mainland and Andaman and Nicobar Islands. The Committee on Public Undertakings, in their**

Third Report in April, 1965, had observed that the arrangement under which only the operation of the vessels is looked after by the Corporation and the entire expenses incurred are re-imbursed by Government, would leave little incentive to the Corporation to ensure whether the service is being run as efficiently and economically as it should. The Committee, therefore, desired that these arrangements should be reviewed in the light of the observations made by it. In their reply in September, 1967, the Government stated that they had decided that the complete operational control over these services would be transferred to the Shipping Corporation of India.

The Committee regret to note that, in spite of the above decision, even after the lapse of four years, the complete operational control of these services has not been handed over to the Corporation. The Committee take a serious view of the delay in the implementation of the recommendation of the Committee which was accepted by the Government as far back as 1967.

6.13. The Committee have been informed of the recent decision of Government that losses upto 80 per cent sustained by the Corporation on the services operated with the vessels owned by the Corporation between mainland and Andaman and Nicobar Islands would be re-imbursed to them. The Committee would like the working of this arrangement to be reviewed after two years to see what economies could be effected in the interest of reducing the losses. The Committee would also stress that the Shipping Corporation should popularise their services as the Andaman and Nicobar Islands have great potentialities as tourist resorts. The Committee feel that with the development of traffic it should be possible to reduce the losses.

B. Tanker operations

6·14. The Western Shipping Corporation entered the coastal tanker trade in 1958 with only one second-hand tanker "Desh Sewak". Subsequently, one more tanker, newly constructed in Japan viz. M.T. "Desh Deep" was placed on the coastal run. Both these tankers were used for the transportation of petroleum products along the Indian coasts. The Company added two tankers "Desh Alok" and "Desh Sewak" (New) during 1966-67 with the intention of using them for about four years, for "meeting emergent requirements for the coastal movements of oil products". All the tankers have been on charter to the various oil companies in India from the time of acquisition. "Desh Sewak" was scrapped in March, 1967.

6·15. The Company's share in the coastal tanker trade for the last five years is indicated in the following table :—

Year	Country's tonnage		Company's tonnage		Percentage of Company's share
	No. of vessels	GRT	No. of vessels	GRT	
1966-67	3	29,555	2	19,681	66·60
1967-68	5	52,777	3	30,212	57·24
1968-69 ..	5	52,777	3	30,212	57·24
1969-70	5	52,777	3	30,212	57·24
1970-71	5	49,083	3	30,212	61·55

6·16. The Committee enquired whether the Indian fleet of tankers was adequate to meet the needs of the coastal trade and whether a reasonable portion thereof was accounted for by the Corporation's tankers. They were informed that Indian fleet of tankers existing at present was not adequate to meet the needs of coastal trade. The refineries Agreement with the foreign oil companies allow the foreign companies to utilise foreign ships bringing crude to India for transporting refinery products on the coast. As such it may not be possible to completely eliminate foreign ships from the trade in this sector immediately. However, the percentage of oil cargo carried by Indian tankers on the coast has progressively increased from 6·9 per cent in 1956 to 26·7% in 1969. Of the 5 coastal tankers (including m.t. Cosmos Pioneer acquired by M/S Cosmos Steel Pvt. Ltd. in auction) three tankers, namely, Desh Deep, Desh Sewak and Desh Alok of 30212 GRT belong to the Corporation. The total tanker tonnage is 49,000 GRT. The figures of lifting of oil by public sector tankers alone was not readily available. However, during 1969, out of total quantity of 33·91 lakhs tonnes of oil cargo moved on the coast, Indian tankers had lifted 9·05 lakh tonnes (26·7%).

6·17. The Committee were also informed that the Government of India had been successful in persuading foreign oil companies to charter Indian tankers available on the coast. The Shipping Corporation of India had placed orders for 3 coastal tankers in USSR and if the loan currently under negotiations with the I.D.A. materialises orders for another four tankers may be placed.

6.18. **The Committee feel that the present share of oil cargo carried by Indian tankers on the coast which is only 26.7 per cent of the total cargo is not adequate and every endeavour should be made to increase it.**

Financial Results

6·19. The financial results of the operation of the tankers upto 31st March, 1971 since their acquisition are given below :—

(Rupees in lakhs)

Year	Total Profit (+) Loss (—)
Accumulated Profit/Loss since purchase	(+)23·10
1963-64	(—)12·70
1964-65	(—)15·96
1965-66	(—)12·64
1966-67	(—)16·35
1967-68	(+) 5·71
1968-69	(+) 7·03
1969-70	(+)19·79
1970-71	(+)28·22
	(+) 26·20

6·20. In connection with the loss in the operation of the tankers, the Management have stated that, during the period from 1963-64 to "1966-67 it is undeniable that in the operation of the tankers in the earlier years the Corporation suffered a loss but this has to be treated as part of the sacrifice which the Corporation must make in some of the sectors of its operation where hazards are involved.".

6·21. The position of the operating results tanker-wise was as follows :—

(i) *Desh Sewak* : This tanker was acquired second hand in 1957 for Rs. 90·32 lakhs and disposed of in March 1970 at a loss of Rs. 8·98 lakhs. The operation involved a total loss of Rs. 29·82 lakhs upto the date of disposal. While there was a profit of Rs. 11·01 lakhs for the years 1956-57 to 1961-62, the tanker showed continuous loss for the years from 1962-63 to 1965 66. It earned a profit of Rs. 1·38 lakhs during 1966-67. The operating loss of Rs. 29·82 lakhs is attributed to the huge expenditure of Rs. 45·70 lakhs incurred on special survey on account of extensive corrosion in the internal structure of the cargo tanks and the bulk heads and loss of income during the off-hire period of 176 days.

The Management informed Audit in August, 1969 that the Corporation made a net foreign exchange saving of about Rs. 139 lakhs through its operation.

(ii) *M.T. Desh Deep*: This vessel earned profits during 1959-60 to 1962-63 and 1968-69 to 1970-71 aggregating to Rs. 52·86 lakhs and in the remaining years viz., 1963-64 to 1967-68, it incurred a total loss of Rs. 30·44 lakhs.

(iii) *M.T. Desh Alok*: There was a loss of Rs. 20·17 lakhs in 1966-67 and 1969-70 but a profit of Rs. 19·58 lakhs in 1967-68, Rs. 11·56 lakhs in 1968-69 and Rs. 3·73 lakhs in 1970-71.

(iv) *Desh Sewak (New)*: This tanker, built in 1950, was acquired second hand in May, 1967, at a cost of Rs. 67·70 lakhs. Negotiations for the purchase of the tanker through a firm of brokers in London were conducted during early 1967. The technical officers of the Company who inspected the vessel on the 8th and 9th March, 1967 found the tanker "technically suitable and satisfactory". Government gave approval for its purchase in April, 1967 at the negotiated price of £ 2,32,500 (less commission of £ 1,162) and the tanker was to be delivered in May, 1967 after a special survey on owner's account. The delivery was effected on 5th May, 1967 at Cadiz.

Out of the total period of 679 days from the date of readiness of the vessel (23rd May, 1967) for operation to 31st March, 1969, it was laid up for repairs for 317 days. During the year 1969-70, the tanker was laid up for repairs and dry docking for 15 days.

During the years 1967-68 and 1968-69, the operation of this tanker resulted in a loss of Rs. 19·85 lakhs. The tanker, however, earned a net profit of Rs. 23·38 lakhs in 1969-70 and a profit of Rs. 15·68 lakhs in 1970-71. The main reasons for the loss during the years 1967-68 to 1968-69 were the delay in chartering the tanker, heavy expenditure on repairs and the tanker being laid up for a number of days for repairs. The loss of charter-hire income on account of this long lay-up period at the rate of Rs. 31·69 per DWT. per month works out to Rs. 45·81 lakhs @ 11 months for every year's operation up to the end of March, 1969.

The Management informed Audit in August, 1969 that, "it is neither customary nor possible for the inspectors to open all the machinery of the ship and its operation. Inspection is made by opening up only certain agreed parts of the machinery. This is in accordance with normal technical practice followed all over the world when second-hand vessels are purchased. The same practice was followed in the case of the M. T. Deesh Sewak also."

"Since the special survey of old-second-hand vessels generally proves to be extremely expensive, it was stipulated with the Sellers that they would deliver M. T. NERVA (DESH SEWAK) to the Corporation after obtaining the survey certificate from Lloyds Register of Shipping for highest class. This was complied with by the sellers and the Lloyds certificate is valid till 1971. The purchase of the vessel was finally completed only after the inspection by the team of technical officers, as stated above, and after the Lloyds Register of Shipping had passed the vessels during the fourth special survey and issued it the requisite certificate in accordance with its highest class viz., +100 A.I."

The Management have further stated in March, 1970 that "During the period from 1st April, 1969 to 1st March, 1970 out of a total period of 334 days the tanker was off-hire for a period of 10 days for annual dry-docking and 2 days for repairs only".

6·22. The Committee enquired as to what were the major reasons for losses in respect of each of the coastal tankers and whether these losses were mainly due to vessels being acquired second-hand, thereby resulting in more off-days and also involving huge expenditure on repairs.

6·23. The Committee were informed that in the former years, hardly any protection was available to the bulkheads of tankers against corrosion arising out of the carriage of refined oil products. In the coastal tanker trade, clean petroleum products had to be carried in one direction and sea ballast in the other. Excessive corrosion to the steel plates and bulkheads posed a very serious problem. It was only in about 1964 that some protective coatings were developed. The technological developments in the field of protective paints have helped resolve the problem of steel corrosion to an appreciable extent. These developments, however, came too late in so far as the first tanker m. t. "Desh Sewak" was concerned. This vessel, on completion of her useful life, was disposed of by the Corporation in 1967. In the case of the second tanker viz. "Desh Deep" also, the Corporation suffered a heavy loss in the initial years but, however, after the steel plates were renewed and protective coatings applied, the Corporation was able to overcome the steel corrosion problem to a considerable extent.

6·24. In June 1966, Indian Rupee was devalued. This had a serious impact on the working results of the coastal tankers particularly. This was because, while the charter hire rate remained stationary, the devaluation pushed up the cost of operation to a considerable extent. The Corporation took up this matter with the Government of India in July, 1966 and it was able to get an increase in the charter hire rates for coastal tankers from July, 1967 from Rs. 21·66 per DWT per month to Rs. 31·69 per DWT per month. The delay deprived the Company of an income of Rs. 20·20 lakhs in respect of all the coastal tankers owned by it.

6·25. The Shipping Corporation had to acquire in the meantime two relatively old second hand coastal tankers for meeting emergent requirements of coastal movement of oil products. This presupposed an inherent risk but risks

and hazards are always involved in the operation of an international shipping company like the Corporation. The Corporation purchased two second-hand tankers, "Desh-Alok" and "Desh Sewak", during 1966-1967, with the intention of using these tankers for about four years.

6·26. After the acquisition of the tanker m. t. Desh Sewak (new), it developed engine trouble and suffered breakdown. As a result of this, repairs had to be carried out to this vessel, to ensure smooth and trouble-free operation. While expenses had to be incurred for repairs, the vessels had also simultaneously to remain off-hire. This resulted in a loss of earnings during the off-hire period. It is the cumulative result of the expenditure on repairs and loss of earnings that resulted in a loss in the operation of the tanker in the initial period. The performance of this tanker has improved considerably from the year 1969-70 and it is now giving good results. Upto the year 1968-69 the progressive net result was a loss of Rs. 19·85 lakhs. This has been completely wiped off by the profits made in the subsequent years, and it has earned a cumulative profit of Rs. 19·11 lakhs. The Corporation expects this vessel to fetch a profit of about Rs. 10 to 12 lakhs during the current financial year, i.e. 1971-72. With this, the total profit upto 31-3-72 would be around Rs. 30 lakhs. The performance of tanker m.t. 'Desh Sewak' could thus be considered quite satisfactory.

6·27. It would be seen from the above that except the m.t. 'Desh Sewak' (old) acquired in 1957, operation of all other tankers has resulted in profits to the Corporation.

6·28. The Corporation has ordered the construction of 3 new tankers of 16,300 DWT each in USSR. These will be delivered between 1973 and 1975. By that time two of the existing coastal tankers will have been retired after the completion of their useful life.

6·29. The Committee also enquired the nature of defects noticed by the Corporation subesquent to the insepction of the 'Desh Sewak' (new) tanker and the safeguards which it must take in the acquisition of second-hand tankers in future.

They were informed that following defects were responsible for long off-hire periods of m.t. Desh Sewak.

(i) Hull plates had to be repaired due to corrosion and buckling.

(ii) Cylinder heads of the main engine developed cracks and the bearings became defective.

(iii) The pumping system was not effective and there was corrosion of pipelines.

(iv) Auxiliary engine of generator went out of order frequently.

6·30. It has been decided that the Corporation would not go in for second-hand tankers in future as far as possible.

6.31. Experience gained in operation of tankers has been utilized for making important improvements in the specifications of new tankers. The following are some of the main improvements made in the specifications of new tankers.

(i) to protect outer shell of the hull it is being provided with chlorinated rubber paint and impressed current system.

(ii) Inside of the tanks is being coated with epoxy paint.

(iii) The hulls are being specially strengthened in locations which are susceptible to excessive corrosion and where it is likely to come into contact with quay walls.

(iv) The main engines have been selected with special care and are of the latest type incorporating new design features; these engines do not have exhaust valves due to which the chance of acid formation on account of fuel oil contaminating lubricating oil has been eliminated. Consequently, the bearings of the main engines are expected to last longer. The design of cylinder heads has also been modified with a view to preventing their cracking.

(v) The latest type of cargo oil pumps are being provided; these are equipped with corrosion resistant material in respect of thier casing impeller and shaft.

(vi) The thickness of pipelines has been increased appreciably and the pipes are being built of cupronickel (90/10) instead of steel.

(vii) The auxiliary engines for generators are being fitted with chromium plated piston ring roves, latest type of tri-metal main bearings and stronger and more effective bottom end bolts.

6.32. **The Committee regret to note that the operational results of 4 tankers purchased by the Corporation for coastal movement of oil products have not been satisfactory. The Corporation suffered continuous losses on their operation from 1963-64 to 1966-67. The losses would have been continued even in 1967-68 and 1968-69 but for the profit of Rs. 19.58 lakhs and Rs. 11.56 lakhs earned by one of the tankers M.T. Desh Alok in 1967-68 and 1968-69 respectively. The Committee also note that the main reason for the losses was that the second hand vessels acquired by the Corporation especially Desh Sewak (old) and Desh Sewak (new) were laid off for repairs for long period.**

The Committee are surprised to find that in spite of the suitability and satisfactory certificate given by the technical officer after inspection, the tanker Desh Sewak (new) had to be laid off for repairs for 317 days out of the total period of 679 days from the date of readiness of the vessel (23-5-1967) to 31st March, 1969 i.e. for nearly 47 per cent of the available days.

The Committee are left with a feeling that sufficient care was not bestowed in conducting the original inspection of the tanker before the purchase was decided upon. The Committee also regret to observe that the very purpose of purchase of tankers to meet the need of the coastal trade especially in the context of development of refineries has not been fully achieved.

C. Dry Cargo

6·33. Of the four dry cargo vessels of 31,908 GRT with the Company as on 31st March, 1971, three are coal carriers of 28,965 GRT acquired in 1966-67 and one timber carrier in the Mainland-Andaman service (M. V. Shompen) of 2,943 GRT. The Company had also placed orders (October, 1969) with a foreign shipyard for four 15,000 DWT univesal bulk carriers. These vessels are specially intended for transportation of coal along the Indian coasts but in the event adequate coal movement is not available, the Management have stated that these vessels can be used for transportation of bulk cargoes in the international market.

6·34. The financial results of the operation of the three coastal coal carriers acquired in 1966-67 for the last four years are given below—

(Rupees in lakhs)

	1966-67	1967-68	1968-69	1969-70
Operating earnings	48·03	107·38	93·94	20·53
Expenditure ..	55·90	90·70	75·25	20·24
	(−)7·87	(+)16·68	(+)18·69	(+)0·29

The reasons for loss in 1966-67 are attributed to the following :

(*i*) Freight increase of about 10 per cent. Which was allowed only in 1967-68, even though sought for earlier.

(*ii*) Depreciation was charged for the whole year even though the vessels were commissioned in May, 66, September, 1966 and December, 1966.

6·35. As regards the reasons for decline in profit in (1969-1970) as compared to 1968-69, the Committee were informed that these colliers were utilised in the coastal service only for a total of 136 vessel days. For the remaining period they were employed overseas liner services in which they performed 6 voyages earning a net profit of Rs. 34·46 lakhs. The combined operating results i.e. both for coastal and overseas operations, of these 3 colliers during 1969-70 were as follows—

Earnings ..	.. Rs. 215·34 lakhs.
Expenses ..	.. Rs. 180·59 lakhs.
Net profit ..	.. Rs. 34·75 lakhs.

6·36. The Committee enquired whether the Corporation has undertaken a detailed study of the coastal cargo coal movement and whether the present coastal tonnage, both in the public and private sector, was adequate to meet the requirements of coastal trade.

6·37. They were informed that the National Shipping Board had appointed a study group to go into the problems of coastal shipping industry and to prepare a report dealing *inter alia* with the additional tonnage requirements in the coastal sector, in 1967. The Committee, in its report submitted in April, 1968 recommended acquisition of 23 new vessels of 14,000 DWT each by 1971 to meet the requirements of the coastal trade. The traffic projections of the coastal dry cargo movement (Including coal, salt and cement) reckoned by the Committee was of the order of about 3 million tons. In 1967, the base year of the Committee's report the total coastal dry cargo trade, including coal, salt etc., was 2·32 million tons. This figure has come down to 1·23 million tons in 1970. The Coal movement has also come down substantially. In the context of the considerably reduced trade from what was projected by the Committee, the requirement of additional tonnage would also have to change correspondingly. As mentioned earlier, the Committee had recommended, based on their projection of trade, acquisition of 23 ships of 14,000 DWT each. Ten ships of 15,000 DWT each are now on order in Rumania which, while being of the universal bulk carrier type, can be used for the carriage of coal along the Indian coast. Out of these 10 ships on order, 4 are on Corporation's account, 5 on account of Mogul Line Ltd., another Public Sector Undertakings and one on account of a private shippping company.

6·38. The Corporation's coastal dry cargo fleet is still the largest among the coastal fleet of individual shipping companies. This position would further improve with the addition of the 4 ships on order.

6.39. The Committee find that the Committee appointed by the National Shipping Board had recommended acquisition of 23 new vessels of 14000 DWT each by 1971 to meet the requirements of coastal trade, taking the traffic projections of coastal dry cargo movement as about 3 million tonnes based on the tonnage of 2.32 million tonnes obtained in 1967.

The Committee were informed that 10 ships of 15000 DWT each are now on order in Rumania which, while being of the universal bulk carrier type, can be used for the carriage of coal etc. along the Indian coast. Out of these 10 ships on order, 4 are on Corporation's account. The Committee were informed that the total coastal dry cargo movement including coal, salt etc. has come down to 1.23 million tons in 1970. The Committee would, therefore, suggest that Government should review the position and fix the requirements of additional tonnage on a more realistic basis and plan the purchase of additional vessels accordingly.

VII

FOREIGN TRADE

7·1. The foreign trade of the country carried by foreign, Indian and the Company's vessels during the last five years is indicated below :—

(In metric tons)

	1965-66	1966-67	1967-68	1968-69	1969-70
Total trade	4,30,38,736	4,60,48,117	4,96,04,459	5,18,69,402	4,96,10,040
Quantity carried by foreign vessels	3,74,60,583	3,99,44,876	4,18,65,346	4,22,99,681	3,99,24,378
Quantity carried by Indian vessels ..	55,78,153	61,03,241	77,39,113	95,69,721	1,05,85,662
Quantity carried by Company's vessels ..	15,40,986	16,36,883	18,29,620	18,13,781	22,99,973
Percentage share of :—					
(*i*) Foreign vessels ..	87·1	86·7	84·4	81·55	78·66
(*ii*) Indian vessels ..	12·9	13·3	15·6	18·45	21·34
Percentage share of Company in quantity carried by Indian vessels ..	27·6	26·8	23·5	18·95	21·73

7·2. During evidence the Secretary of the Ministry stated that in 1956, the Indian vessels carried 6·5 per cent of India's foreign trade and now it had come to 21·34 per cent.

7·3. The Fourth Plan target visualised that the Indian vessels would cover 40% of the foreign trade of the country and there ultimate target was 50% of the total volume which appeared to be the best that any country could have.

7·4. As regards the performance of Shipping Corporation of India the Committee were informed that during the year 1968-69 alone, the Corporation commenced eight new services of which five were promotional services specifically designed to promote the exports and imports of the country. Indian exports to new areas in the West Asia Gulf, particularly of non-traditional items, were picking up and the Corporation felt that it should enter the West Asia Gulf and other trades also, where, there was inadequate or no participation of Indian shipping and develop the trade that it may benefit the country by promoting its exports and help the Corporation also in the long run.

7·5. The contribution of the Corporation towards the earning of foreign exchange, or the saving of the country's foreign exchange expenditure, has continued to be substantial from year to year. During 1970-71 the Corporation earned or saved over Rs. 32 crores of foreign exchange, reckoned at about 50 per cent of its operating earnings for the year.

7.6. **The Committee find that the Fourth Five Year Plan envisages that the Indian Shipping would cater for about 40 per cent of the country's overseas trade at the end of the Fourth Plan. However, the percentage of the foreign trade carried by Indian Shipping at the end of 1969-70 was only 21.34 per cent. It is therefore evident that only a little over 50 per cent of the target could be covered so far.**

The Committee also note that although the cargo carried (revenue tons) by the Shipping Corporation of India has increased from 15.41 lakh tons in 1965-66 to 23.00 lakh tons in 1969-70, the rate of growth has been lower as compared to other Indian vessels. The share of the Corporation in quantity carried by Indian vessels had thus come down from 27.6 per cent in 1965-66 to 21.73 per cent in 1969-70.

The Shipping Corporation of India has a dominent role to play in the development of Indian Shipping. The Committee expect the Corporation would provide the necessary leadership and set an example in this regard to other Indian Shipping Companies. The Committee therefore desire that the reasons for the decline in the share of the Corporation in quantity carried by Indian Vessels should be investigated and the Committee informed.

7.7. **The Corporation should devote special attention to maximum utilisation of existing capacity and to increase its tonnage so that a larger share of the country's foreign trade is carried by Indian vessels.**

VIII

FINANCIAL MATTERS

A. Profitability Analysis

8·1. The working results of the Company for the last five years are analysed below :—

(Rupees in crores)

	1966-67	1967-68	1968-69	1969-70	1970-71
Operating Income	28·46	35·10	41·58	52·89	64·84
Other Income (including credits relating to previous years)	0·85	0·78	0·67	0·83	1·00
	29·31*	35·88	42·25	53·72	65·84
Operating Expenses	18·71	23·46	28·87	37·06	43·83
Management Expenses	1·39	1·96	2·41	2·85	3·23
Depreciation on fleet ..	3·09	3·40	4·37	5·58	7·03
Other Expenses (including expenses relating to previous years) ..	1·12	1·00	1·29	2·32	4·34
	24·31*	29·82	36·94	47·81	58·43
Net Profit before tax	5·00	6·00	5·31	5·91	7·41
Provision for tax (foreign)	0·30	0·35	0·42	0·40	0·50
Net Profit after tax	4·70	5·71	4·89	5·51	6·91
Percentage of—					
Operating Expenses to Operating Income	65·7	66·8	69·4	70·1	67·6
Management Expenses to Operating Income	4·9	5·6	5·8	5·4	5·0
Depreciation on fleet to Operating Income	10·9	9·7	10·5	10·5	10·8

*Reflect the effect of devaluation from June, 1966.

NOTE : According to the present system of accounting, while standing charges in respect of unfinished voyages of the vessels in foreign ports as at the last day of the financial year are treated as expenses of the current year, the revenue is taken credit of in the next year's accounts of the completion of the voyages. In 1967-68 and 1968-69 the expenses so charged to the annual accounts were Rs. 10·10 lakhs and Rs. 62·41 lakhs respectively.

8·2. The profitability ratios of the Company for the last five years are tabulated below—

	1966-67	1967-68	1968-69	1969-70	1970-71
Percentage of profit after tax —					
(*a*) To net worth * ..	18·2	13·7	10·8	11·3	13·0
(*b*) To equity capital . ..	20·1	24·3	20·8	23·5	29·5
(*c*) To capital employed ** ..	9·1	10·0	6·8	5·7	5·9

8·3. According to Audit Report the profit, both in absolute terms and expressed as percentage of capital employed, came down substantially in 1968-69 as compared to 1967-68 in spite of

(1) increase of 25·7% in the tonnage over the previous year's tonnage resulting mostly in

(*a*) increase in the number of voyages by about 54·8% in 1968-69 over 1967-68;

(*b*) increase in voyage days by 27·8% in 1968-69 over 1966-67; and

(*c*) surplus of Rs. 60·99 lakhs earned on bulk carriers pressed into service for the first time in 1968-69; and

(2) inclusion of Rs. 67·66 lakhs in the profit of 1968-69 on account of the following :—

(*a*) Pool receipts relating to previous years—Rs. 18·01 lakhs.

(*b*) Freight on carriage of mails not taken credit of in previous years—Rs. 13·89 lakhs.

(*c*) Less incidence of depreciation on account of change in the method of calculation thereof in 1968-69—Rs. 35·76 lakhs.

8·4. Broadly speaking, the main reason for the marked decline in the profit was increase in the growth of expenditure at a faster pace than that of operating earnings in spite of increase in tonnage. While the operating earnings increased by 18·44%, the operating expenses rose by 23·06%, management expenses by 22·95% and depreciation on fleet by 28·53%. According to the Ministry the overall ratio of operating expenditure to operating

NOTES**—Capital employed represents net fixed assets plus working capital.

*Net worth represents paid-up capital plus reserves less intangible assets.

The Company did not have to pay Indian Income-tax so far on account of un-absorbed Development Rebate which amounted to Rs. 3·75 crores at the end of March, 1969.

earnings has been adversely affected during 1968-69 mainly because of the comparatively high percentage of operating expenditure obtaining in the case of newly started services on which the entire addition to the cargo liner fleet during the year was utilised.

8·5. The Management attributed the following adverse factors for the decline in profits during 1968-69.

(*i*) Stevedoring and other cargo handling expenses which constitute a major portion of the direct operating costs registered a sharp and disproportionate increase. The average cargo handling cost per ton increased from Rs. 36 during 1967-68 to Rs. 43 during 1968-69. Had the same average rate per ton in 1967-68 been maintained during 1968-69, the profit would have increased by Rs. 1·40 crores.

(*ii*) The world-wide increase in price of new ships has led to increased allocations on account of depreciation, insurance and interest payment.

(*iii*) Marine ship insurance expenses have gone up by 21·9 per cent as compared to the preceding year.

(*iv*) The management expenses have increased by nearly 23 per cent. It has been stated that "the Corporation's fleet and activities are expanding rapidly due to which an appreciable increase in management expenses in the initial year is inevitable".

(*v*) A comparative decline in the import of capital equipment and machinery which constituted high freighted cargoes on account of change in the cargo mix in the country's international trade.

(*vi*) Due to the curtailment of U. S. aid there was appreciable reduction in the import of high freighted cargoes from U.S.A.

(*vii*) The three new services to West Asian Gulf and Red Sea area and the service from West Coast of India to Australia have incurred an estimated loss of about Rs. 25 lakhs during 1968-69.

According to the Ministry, the decline in profitability in 1968-69 was also due to :

(*i*) Reduction in the profit of the passenger-cum-cargo services by Rs. 40 lakhs. (These services incurred a loss of Rs. 25·65 lakhs in 1968-69 as against a profit of Rs. 14·06 lakhs in 1967-68.)

(*ii*) Less number of voyages in India—U.S.A. (Atlantic) sector due to prolonged strike of long-shoremen in U.S.A. There was loss of 152 days on account of strike vide Annual Report of the Company for 1968-69, which was roughly equivalent to 1 voyage resulting in loss of profit by Rs. 8·70 lakhs (approx.).

8.6. The Committee enquired the reasons for increase in operating expenditure. They were informed that the rise in operating expenditure was mainly on stevedoring, repairs, bunker and cost of stores and spares. Stevedoring constituted about 32 per cent of the total operating expenses (excluding depreciation, interest and administrative over-heads). About 80 per cent of the stevedoring expenses were incurred in foreign ports, mostly in U.S.A., Australia and U. K. Due to inflationary trend the wages of port workers all over the world have been continuously rising. In U.S.A. ports the average stevedoring cost per tonne had almost doubled during the interval of past 3 years.

In Australian ports the extent of increase was even more. As regards bunker costs, the prices started increasing steeply since the last two years due to West Asian Oil crises etc. They continued to rise till the middle of 1971. In the case of repairs the increase was mainly due to rise in wage rates and cost of raw-materials. Following the trend in other items the prices of ship stores and spare parts had also been increasing from time to time.

8.7. The cost of acquisition of vessels has been rising very rapidly. The purchase price of new vessels has almost doubled compared to the price that prevailed a few years back. This increased the incidence of depreciation, insurance and interest charges substantially in recent years.

8.8. As regards steps taken for the control of these items of expenditure it was stated the corporation has taken/initiated several measures as follows :

(i) *Control of cargo handling expenses.*

The cargo handling expenses constituted about 32% of the total operating expenses of the Corporation. During the year 1970 a team of 3 Officers (one each from Traffic, Operations and Finance Department) was deputed to U.S.A. to carryout on-the-spot study of cargo handling operations and their cost and to recommend measures for their control. As a result of their suggestions, the storage arrangements in ships had been substantially improved. Also certain changes in the stevedoring arrangements in U.S.A. were made. These changes mainly related to obtaining more advantageous productivity-oriented rates. Though the benefit of the new arrangement could not be fully quantifiable in monetary terms in New York alone the direct saving was about Rs. 2 lakhs for 6 sailings. Similar savings would accrue in other U.S.A. ports as well. Further, block stowage is being undertaken on extensive scale with a view to reduce sorting expenses in U.S.A. and Canada. Similarly in Australian ports also the Corporation was able to revise the stevedoring arrangements and obtain more advantageous rates based on incentives for increased output. All these measures acted combinedly to reduce the rate of growth of stevedoring expenses in U.S.A. and Australian ports, besides the indirect benefits accruing by way of improvement in ships' turnround. The management continued its efforts to control the stevedoring costs wherever possible.

(ii) Bunker

The incidence on bunkers had been rising since the last two years due to sharp increases in bunkers prices. The total expenditure on bunker for the year 1970-71 was around Rs. 4½ crores and this item constituted about 10% of the total operating. The management controlled the expenditure on bunker expenses by concluding annual contract with reputed firms at most competitive rates. In fixing these rates, these management has succeeded in securing the maximum rebate from the parties. Besides obtaining the most competitives rates, the management ensured lifting of bunkers by the vessels at selected ports where the rates were the most economical. In this way, all possible measures were taken to control the bunker cost.

(iii) Repairs

This item constituted about 15 per cent of the total operating expenditure. Most of the ship repairs carried out in India were through Government owned workshops, namely, Garden Reach Workshop, Calcutta and Mazagon Dock Ltd., Bombay. As per understanding with these firms, Corporation on the basis of cost plus a fixed element of profit. Wherever possible, the Corporation entrusted smaller jobs to smaller workshops, where the overheads were lower than in big workshops and, as result of this, the cost of smaller jobs was reduced. The Corporation's technieal officers also carryout on the spot supervision of the repair jobs with a view to ensuring quality of repairs as well as minimising expenditure wherever possible.

(iv) The Corporation has also been making improvements in the economic of operations by rationalising the sailing and the ports of call and by readjusting the tonnage of vessels according to the change in trade pattern. Improved methods of cargo handling like pre-slinging, palletisation and unitisation etc. were also being introduced gradually. Some progress had been made in this direction in respect of U.S.A. services and the method was being extended to Australian services also.

8.9. The Committee were, also, informed that the Corporation's net profit increased from year to year since 1968-69 reaching a record figure of Rs. 6.91 crores during 1970-71. A review of the expenses ratios also revealed that both the operating and management expenses, as percentages of operating earnings, have come down, during 1970-71, compared to the previous two years. A slight increase, however, was seen in the ratio of depreciation on fleet to operating income during 1970-71, compared to earlier years. This was because of the increase in the depreciation provision on newly acquired fleet. The prices of new ships, it may be pointed out, have been increasing rapidly in recent years.

8.10. The Corporation also made an analysis of the trend of its earnings and expenses, under different major heads, for the last three years. The increase under each head, in each year, had been expressed as a percentage of income/expenses of the immediately preceding year.

The relevant figures are given below :—

(Rupees in Crores)

	1967-68	1968-69	Percentage increase over 1967-68	1969-70	Percentage increase over 1968-69	1970-71	Percentage increase over 1969-70
1. Operating Income	35·10	41·58	18·46	52·89	27·20	64·84	22·59
2. Operating Expenses	23·46	28·87	23·06	37·06	28·37	43·83	18·27
3. Management Expenses	1·96	2·41	22·96	2·85	18·26	3·23	13·33
4. Depreciation of Fleet	3·40	4·37	28·53	5·58	27·69	7·03	25·98

It would be seen from the above data that the growth of expenditure at a faster pace than that of operating earnings in 1968-69 and 1969-70 changed in 1970-71, showing an improvement in the working results. The rate of increase in the operating expenses had been much lower than that of the operating earnings. This improvement is well reflected in the record net profit earned by the Corporation in 1970-71. There was not as much of a change in the pace of growth of the depreciation provision because of the increase in the cost of new acquisitions.

8.11. It was also stated that the analysis of profitability would be done by measuring the net profit earned by the Corporation in relation to the shareholder's money (net worth), the shareholders investment in the company (Equity Capital), and also by measuring the return earned by the company on the capital employed. These three types of ratios have been considered as important measures of profitability from the commercial angle.

8.12. It would be seen from these ratios as given in statement in para 8·2 that the percentage of net profit to net work and net profit to equity capital improved from year to year during the years 1969-70 to 1970-71. The return on capital employed, while showing a slight drop in 1969-70 slightly improved in 1970-71. The more or less steady trend in the return on capital employed, in spite of the increased profits earned from year to year, is because of the fact that the Corporation had been making substantial addition to its fleet every year, at higher prices. In the context of the ever increasing costs of new aquisitions and the increasing operating costs, it might be difficult to achieve any substantial improvement as far as the return on capital empolyed was concerned.

However, there was an improvement in the overall profitability of the Corporation from year to year during the last two years.

8.13. The Committee were also informed that the National Shipping Board had recommended to the Government of India that Indian Shipping companies

both in the private sector and the public sector should be enabled generally to realise a gross profit of not less than 12 per cent on capital employed, "capital employed" and "gross profit" being computed as follows :—

Capital employed : Total of paid-up capital, reserves and loan capital.

Gross profit: To be arrived at after deducting all expenses including depreciation but before providing for taxation, development rebate, interest on loans and Managing Agents' Commi sion, if any.

8.14. After considering the above recommendation, Government, however, took the view (October 1969) that the gross return of 8 per cent. only would be reasonable and appropriate.

8.15. The table below indicates the percentage of gross profit on capital employed for the four major Indian shipping companies for the last five years:—

	1966-67	1967-68	1968-69	1969-70	1970-71
Shipping Corporation of India Limited	11·64	11·53	8·88	7·83	8·28
Scindia Steam Navigation Company Ltd.	4·58	8·89	8·37	7·60	7·66
India Steamship Company	6·68	11·78	12·13	7·36	1·43
Great Eastern Shipping Company	10·61	10·33	10·79	8·32	14·03

NOTES:—(i) The gross profit does not include the adjustments on account of profit or loss on sale of assets.

(ii) Capital employed has been computed after excluding advances on account of ships under construction and miscellaneous expenses.

(iii) In calculating the above return, no allowance has been made for larger post-devaluations equisition of tonnage by the Shipping Corporation involving larger capital outlay.

It would be seen from the above that during 1968-69, the return on capital employed was lower in case of Shipping Corporation as compared to India Steamship Co. and Great Eastern Shipping Company. In 1969-70 and 1970-71 it was lower as compared to that achieved by Great Eastern Shipping Company.

8.16. The Committee were informed that as far as financial results were concerned no two shipping companies could be directly compared, since the results depended on various factors, like the composition of fleet, investment on fleet, capital structure and nature of operations. Therefore, to make a fare comparison, only those companies which also follow a comparable pattern as that of the Shipping Corporation should be taken into account. Broadly speaking from the view point of nature of operation, only the Scindia Steam Navigation Co. Ltd, and the India Steamship Co, Ltd., are comparable with the Shipping Corporation of India Ltd. The performance of the Great Eastern Shipping Co. is not comparable to that of the Shipping Corporation and the other Companies since the former's operations are mainly confined to tramping.

8·17. A comparative statement giving the year-wise capital employed, total return and the latter expressed as percentage of former for each of the last 10 years in respect of the Shipping Corporation and the three other Indian Shipping Companies is shown in Appendix IX.

8·18. The comparative position of the average return for the last ten years is as under:—

Name of the Company	*Average percentage of return on capital employed from 1961-62 to 1970-71*
The Shipping Corporation of India Ltd.	8·17%
The Scindia Steam Navigation Co. Ltd.	6·22%
The India Steamship Co. Ltd.	4·49%
Great Eastern Shipping Co. Ltd.	9·28%

It would be seen from the above figures that the performance of the Shipping Corporation in this regard was comparable with that of the other three Indian Shipping Companies.

8·19. Compared to the Scindia, the return on capital employed as achieved by the Corporation in each year of the last 10 years had been better except in 1963/64, when the Scindia's recorded a slight increase of 0·14% over the return achieved by the Corporation. Insofar as the India Steamship Co. was concerned, here again, the performance of the Shipping Corporation has been better throughout except in 1967/68 and 1968/69 when the former showed a slightly better return than the Corporation. It would, however, be seen from the figures of capital employed by the India Steamship Co. Ltd., for the last ten years that not only there had not been any appreciation in the capital employed, but it had been declining steadily from year to year.

8·20. The Committee were also informed that the profitability achieved by the Shipping Corporation would have been much higher but for the following constraints. For making a fair comparison these aspects would have to be borne in mind.

1. In addition to the profitable commercial ventures the Shipping Corporation operated certain traditional routes like, India/Far East service which are not so profitable.
2. The Shipping Corporation operates a number of promotional services designed to promote the export efforts of the country. The Corporation has incurred considerable losses in some of these sectors since their commencement in 1968-69.
3. The Corporation operates regular passenger liner services which have been proving very uneconomical in recent years.
4. The Corporation has also made investment on ships which operate on public utility services like, Andamans, Laccadives and Talaimannar services, from which the Corporation does not receive any return.

8.21. None of the other Indian Shipping Companies has investments spread-over such wide areas, as indicated above, as in the case of the Shipping Corporation. The capital employed figures, based on which the returns have been worked out, include the investment made in all the above areas. As a result of this, the return on capital employed in the case of the Shipping Corporation has been lower than what would otherwise have been. This aspect would have to be reckoned, therefore, while making comparison with the other shipping companies.

8.22. Yet another factor which vitiates to some extent a fair comparison between the Corporation and the other Shipping Companies is the considerably higher post-devaluation addition to the fleet, obtaining in the case of the Corporation. The Corporation had embarked upon a substantial tonnage expansion programme during the last decade. Such expansion has been quite marked and considerable from 1966, in which year, the Indian Rupee was devalued. For all these post-devaluation acquisitions, the Corporation had to pay a considerably higher price than the price it had paid for the vessels acquired prior to devaluation. While this is so, the position in the case of the other Shipping Companies is different.

The extent of post devaluation addition included in the capital employed figures of the Shipping Corporation and the other Shipping Companies was as follows:—

(Rupees in lakhs)

	Capital employed as on 31-3-66	*Capital employed as on 31-3-71*	*Addition during the period 31-3-66 to 31-3-72*	*Percentage of addition (column 3 to 1)*
Shipping Corporation	4,191·44	11,677·06	7,485·62	+178·59%
Scindias ..	4,135·62	6,130·36	1,994·74	+ 48·23%
India Steamship	1,336·51	1,196·59	139·92	—10·47%
Great Eastern ..	1,990·16	3,226·64	1,236·48	+62·13%

8.23. It would be seen from the above table that the post devaluation addition to the capital employed in the case of the Shipping Corporation was considerably higher compared to the other Shipping companies. When the capital employed figure thus got enhanced, the percentage return, naturally became lower. In comparative study of the performance of the Corporation and the other Shipping Companies, the above factor put the Corporation at some disadvantage.

If an allowance is made for all the above factors affecting the profitability of the Corporation, the Corporation's performance would definitely stand out in relation to the other shipping companies.

Comparison with leading international shipping companies

8.24. The Committee were also informed that the working results of the two top shipping companies in the U. K. *viz.*, P. & O. Group and the Ocean St mship Group, for the last financial year (year ended 30th September, 1970 in the case of P. & O. and 31st December, 1970 in the case of Ocean Steamship Gtroup) were studied with reference to the profitability achieved by these companies during the above period.

The P. & O. group achieved a return of only 5·78 per cent on the capital employed by it during the year ended 30th September, 1970. The corresponding return in the case of Ocean Steamship Group were 5·31 per cent for the year ended 31st December, 1970. The return of 8·28 per cent achieved by the Corporation in 1970-71, compared very favourable with the return achieved by the above two leading international shipping companies.

8.25. **The Committee find that the net profit earned by the Corporation during 1968-69 and 1969-70 was only Rs. 4.89 crores and 5.51 crores respectively as against Rs. 5.71 crores earned in 1967-68. The percentage of net profit to capaital employed also came down from 10 per cent achieved in 1967-68 to 6.8 per cent in 1968-69 and 5.79 per cent in 1969-70. The main reason for the decline in profits has been that the growth of operating expenses had been at a faster pace than that of operating earnings. This trend however changed in 1970-71 and the Corporation had been able to earn a profit of Rs. 6.91 crores in 1970-71 which worked out to 5.9 per cent of the capital employed. The Committee hope that the present rate of return on capital will be improved upon in coming years.**

8.26. **The Committee note that the Corporation had taken certain measures to reduce the operating expenses by improving methods of cargo handling and readjusting tonnage of vessel according to trade pattern etc. The Committee suggest that these measures should be kept under continuous review by the Corporation in order to effect improvements and economy in the operating expenses.**

8.27. **As pointed out elsewhere in this Report, the operating results of the cargo liner service have, however, not been encouraging. There has been substantial reduction in the net profits earned/loss incurred on various sectors. The two passenger-cum-cargo services to India/East Africa and India Straits had also incurred a loss of Rs. 40.60 lakhs in 1970-71. The Committee therefore, desire that special attention should be paid to the operation of cargo liner services to improve the profitability of the Corporation.**

B. Credit Control

8.28. The table below indicates the position of sundry debtors of the Company *vis-a-vis* that of the other three Indian Shipping Companies over the last five years:—

(Rupees in lakhs)

Company	1966-67			1967-68		
	Debtors	Operating Income	Percentage of debtors to operating income	Debtors	Operating Income	Percentage of debtors to operating income
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	R.s	Rs.	Rs.
Shipping Corporation of India						
Total Debtors ..	434	2,846	15·2	903	3,510	25·7
Debtors over six months ..	92	2,846	3·2	172	3,510	4·9
Scindias						
Total debtors ..	232	2,672	8·7	275	3,037	9·1
Debtors over six months ..	80	2,672	3·0	97	3,037	3·2
India Steamship						
Total debtors ..	6	900	0·6	13	1,096	1·2
Debtors over six months ..	1	900	0·1	2	1,096	0·2
Great Eastern						
Total debtors ..	59	835	7·1	45	895	5·0
Debtors over six months ..	10	835	1·2	23	895	2·6

Company	1968-69			1969-70			1970-71		
	Debtors	Operating Income	Percentage of debtors to operating income	Debtors	Operating Income	Percentage of debtors to operating income	Debtors	Operating Income	Percentage of debtors to operating income
1	8	9	10	11	12	13	14	15	16
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Shipping Corporation of India									
Total debtors ..	933	4,158	22·4	1,284	5,289	24·3	1,683	6,484	26·0
Debtors over six months	275	4,158	6·6	387	5,289	73	615	6,484	9·5
Scindias									
Total debtors ..	311	3,569	8·7	309	3,834	8·1	255	3,877	6·6
Debtors over six months	91	3,569	2·6	107	3,834	2·8	104	3,877	2·7
India Steamship									
Total debtors ..	18	1,329	1·4	107	1,263	8·5	6	1,420	0·4
Debtors over six months	10	1,329	0·8	14	1,263	1·1	3	1,420	0·2
Great Eastern									
Total debtors ..	41	1,015	4·0	53	795	6·7	54	1,262	4·3
Debtors over six months	23	1,015	2·3	36	795	4·5	44	1,262	3·5

8·29. The Committee enquired the reasons for the higher percentage of sundry debtors in the case of Shipping Corporation vis-a-vis those of the other shipping companies. They were informed that in respect of the Shipping Corporation of India, the total debtors figure as on 31st March 1971, includes :—

(*i*) Rs. 4·05 crores due from Government departments and undertakings.

(*ii*) Rs. 1·17 crores due from Jayanti Shipping Company on account of managing agency remuneration etc., and

(*iii*) Rs. 3·51 crores on account of year and adjustments for the voyages actually completed in April, May and June, 1971, but which were reckoned for the financial year 1970-71 on the basis of completion of loading on or before 31st March, 1971.

These items apply only to the Shipping Corporation and do not apply to the other companies. For a proper interfirm comparison, therefore, it is necessary to exclude these items from the sundry debtors balance of the Corporation. The balance of sundry debtors, after excluding these amounts, was Rs. 8·10 crores, and this works out to 12·49% of the operating income. Similarly, if the corresponding figures are excluded from the figure of debtors over six months, the ratio of debtors over six months old to operating income would work out to 5·6 per cent.

8·30. Out of the total debtors of Rs. 16·83 crores as on 31-3-1971, amounts aggregating to Rs. 10·87 crores were subsequently recovered upto 1st January, 1972 and the balance as on that date was Rs. 5·96 crores. Out of this balance, the dues from Government departments amounted to Rs. 1·86 crores and those from Jayanti Shipping Company were Rs. 1·17 crores. Excluding these amounts totalling Rs. 3·03 crores, the balance as on 1-1-1972 out of the debtors outstanding as on 31-3-1971 was Rs. 2·93 crores. This figure included Rs. 2·20 crores due from insurers (L.I.C.) on account of general average, particular average Protection and Indemnity claims, etc. against which the Corporation have corresponding liabilities to be settled with the Club. The balance *viz.* 0·73 crores represented miscellaneous dues from different parties like Shipyard for guarantee repairs claims etc. These are being actively pursued. It would thus be seen that large sums of outstandings have been collected subsequent to 31st March, 1971.

The Committee were informed that the management is paying special attention to the recovery of trade dues and other outstandings and it is hoped that the ratio of sundry debtors to operating income would be gradually reduced in the future. It was also stated that in respect of the India/Black Sea service, there used to be about six months' delay in the recovery of freight, due to the various formalities to be completed under the bilateral arrangement. During recent Indo-Soviet meetings, it has been possible to improve the arrangement for completion of these formalities and thereby cut short the delay in recovering the freight pertaining to this service.

8·31. The Committee were also informed that according to the credit policy laid down by the Corporation, no credit is allowed to private parties as far as possible in respect of freight dues. In the case of Government parties,

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including public sector undertakings, no credit is generally allowed but there are occasions, when in the interest of safeguarding the business of the Corporation, it becomes necessary to allow short term credits in certain cases. This Policy was re-emphasised by a circular to all concerned issued in 1965. This policy is being followed as far as practicable, consistent with business interests.

8.32. The sundry debtors in the case of the Corporation is higher because of the facts that unlike other companies the Corporation has to deal with a large number of Government Departments, bodies and undertakings. No other shipping company has such wider business with the Government bodies as the Corporation has. Further the Corporation also manages a number of vessels belonging to Government and also vessels chartered by Government Department and Undertakings. The amount spent by the Corporation on behalf of the Owners and charterers is reimbursed to the Corporation after rendering the accounts thereof to them. This naturally takes sometime, say a few months. Further, the Corporation received the reimbursement of the losses incurred by it in operating its ships in the Andamans service during the years 1967-68 and 1968-69, only in May, 1971. As result of these, the outstandings from Government departments and undertakings were more. As mentioned earlier out of the total sundry debtors as on 31-3-1971, very large amounts have been subsequently recovered.

8.33. **The Committee regret to note the heavy amount outstanding against Sundry Debtors of the Corporation. The outstandings which were Rs. 434 lakhs in 1966-67 representing 15.2 per cent of the operating income of that year had risen to Rs. 1683 lakhs as on 31st March, 1971 representing 26 per cent of the operating income of the year. Similarly the outstandings over six months have also shown an increasing trend and had gone up from 3.2 per cent of the operating income in 1966-67 to 9.5 per cent in 1970-71. As compared to it the total outstandings of other three Indian Shipping Companies as on 31-3-71 ranged from 0.4 per cent to 6.6 per cent only of the operating income. Even making allowance for certain higher outstandings of the Corporation as compared to other Shipping Companies because of some special reasons mentioned by it, the outstandings cannot but be considered high. The heavy outstandings result in locking up of funds, loss of interest and affect the liquidity position of the Corporation.**

The Committee, therefore, recommend that the present procedure for billing and collection of outstandings should be reviewed and streamlined to enable prompt recovery of all dues and have an effective control over them.

8.34. **The Committee also suggest that Corporation should lay down in clear terms, its credit policy and ensure its strict observance both in letter and spirit. The Committee recommend that a careful analysis of the dues outstanding for over six months should be undertaken and the cases pursued vigorously at the highest level especially with the Government Departments so that the dues may be realised expeditiously and the financial position of the Corporation may be improved.**

C. Development Rebate Allowance

8.35. The Committee discussed during evidence of the representatives of the Shipping Corporation of India, the question of proposed withdrawal of Development rebate allowance to Indian Shipping after May, 1974. The Chairman, SCI informed as follows :

> "So far as Shipping Corporation is concerned, a large number of vessels already on order would be delivered in 1974-75. For any vessel delivered after May, 1974, the development rebate would not be available. We had placed orders for lakhs and lakhs of tonnage. When we placed orders, at that time the facility of development rebate was still available. But subsequently the policy had been changed with the result that a vessel which was ordered will not get development rebate if it comes after May, 1974.... The shipping industry is the only industry which is operating internationally without any operational subsidy or export incentive and helping of its own against the very well established companies of the world. We have to compete against British, Scandinavian and German companies. We have to have a strong shipping industry.... It is only in times of emergency that we realise how important the second line of defence is. So, we must have a strong merchant navy. For this, we should have (1) the loan facility from shipping development funds; (2) development rebate. On shipping development funds, the rate of interest has been increased from 3 to 4½ percent. Then there is withdrawal of development rebate. Both these incentives having been altered in this manner within a quick succession have created a rather difficult situation."

8.36. Subsequently in a note in writing after evidence the Shipping Corporation of India stated as follows:—

> "Development rebate was sanctioned to Indian Shipping to induce the shipping lines to plough back their profits (even before declaring dividend) for the expansion of the Indian Shipping to tonnage, keeping in view that the cost of replacement of old ships is much higher than that of there placed assets and recognising that all countries, developed and developing, give similar incentives to their national shipping lines. The proposed withdrawal of the development rebate allowance after May, 1974 is bound to retard greatly the growth of Indian shipping. It may be pointed out that prior to the introduction of the Development Rebate Allowance, Shipping Companies, like other undertakings, were receiving various allowance like initial depreciation to the extent of 20% of the cost of each asset, double normal depreciation, etc. With the introduction of the development rebate allowance, these concessions have been withdrawn. Now that even the development rebate allowance is also being withdrawn, the Shipping Companies are left with no tax benefits at all and this would considerably affect their profitability and consequently their capacity for expansion. In the context of the sharply escalating

cost of ships and their operating costs, the fortunes of Shipping Companies are bound to suffer a serious set back. An idea of the magnitude of the problem involved in so far as the Shipping Corporation is concerned can be had from the following:—

(*i*) But for the development rebate during the 10 years, 1961-62 to 1970-71, the Corporation would have been liable to pay Income Tax amounting to about Rs. 16·08 crores. Indian shipping companies are required to find from their own resources the first 10 per cent of the price of the ships ordered by them (5 per cent for ships built in Hindustan Shipyard) in order to qualify for loan from the Shipping Development Fund for the balance price of the ships. Thus, presuming that the Shipping Corporation had obtained loan for every ship ordered or acquired, a fleet with a gross investment of Rs. 160 crores could have been, initially financed through the saving in Income Tax of Rs. 16 crore. Significantly, the block investment on fleet owned by the Shipping Corporatiion as on 31st March, 1971 without deduction of depreciation was Rs. 143 crore.

(*ii*) 13 out of 31 ships on firm order by the Shipping Corporation are scheduled to be delivered after May, 1974 and the withdrawal of development rebate would lead to an estimated tax liability of about Rs. 18·47 crore. 11 out of 14 ships to be ordered in the near future are also likely to be delivered after the dead-line and shall provide no benefit in the form of development rebate, which means an additional tax liability of Rs. 26·57 crore. Thus, the total estimated tax liability on account of ships already ordered, or proposed to be ordered in the near future, due to the withdrawal of development rebate comes to an enormous amount of Rs. 45·01 crore. Based on this sum, the Shipping Corporation of India could finance an investment programme amounting to about Rs. 450 crore.

(*iii*) The proposed withdrawal of development rebate beyond. 1974 is also not likely to serve the purpose of expediting investment decisions in the hope that the ships would be delivered before the withdrawal of the development rebate because, specially for large ships which are to be ordered abroad, there would be a time gap of 3 to 4 years between placing of orders and delivery. Indian Shipyards are also similarly booked and neither Hindustan Shipyard nor Mazagon Dock are in a position to offer deliveries before 1974.

8.37. The implications of withdrawal of development rebate are, therefore, very serious, specially for a company like the Shipping Corporation which has to maintain a fast rate of growth in order to discharge effectively its assigned role within the national shipping policy. Further, there would be sharp depletion of the internal resources of the Corporation, which would run counter to the proclaimed policy that the public sector undertakings should

find increasing self-generated resources for their expansion. As stated above, withdrawal of development rebate would not only cut down drastically the quantum of these resources *per-se*, but also reduce the ability of the Shipping Corporation to borrow funds in ratio of Rs. 9 of borrowed capital for every Re. 1 of potential internal resources lost through the withdrawal of the development rebate. It is apparent that the growth of the rate of the Shipping Corporation would be retarded drastically instead of accelerating if the decision to withdraw deveplopment rebate is not revoked.

8.38. All over the world Governments of different countries, both developed and developing, are assisting their shipping in various ways. In this they are generally guided by the following policy considerations.

(*i*) Shipping is an important contributor to the balance of payments.

(*ii*) National Shipping promotes export trade.

(*iii*) National shipping can be depended upon in an emergency to keep the nation's international trade operative.

(*iv*) Shipping constitutes a second line of defence.

8.39. The United Nations Conference on Trade and Development (UNCTAD) in its report titled "Establishment or expansion of Merchant Marines in Developing countiries" (rf. TD/26/Rev. 1) have also underlined the need for assistance to Shipping, particularly of developing countries. An extract of the relevant para of their report is given below :

> "A very large number of countries, including many of the traditional shipping countries, have policies of state assistance to their shipping industries. A new shipping industry, even if it is fully economic and can compete with the shipping of other countries on level terms, has in practice to compete with shipping, much of which is subsidized or assisted. In fact, such is the pervasiveness of favourable treatment with respect to depreciation and taxation (see paragraph 252 and 253) that there are few shipping fleets in the world which are not assisted to some extent, while some developed countries assist their shipping directly by means of subsidies and cargo preference legislation. This may make it very difficult for a new industry, without any special advantages, to compete unless it receives assistance itself. Such compensatory assistance is not an attempt to disturb the result which reliance on the working of competition would yield but, in fact, is intended to counteract the efforts of existing distortions in the market."

It would be seen from the above that even traditional shipping countries assist their shipping by means of subsidies, tax benefits, etc.

8.40. The Committee note that there is a proposal to withdraw the development rebate allowance to Indian Shipping after May, 1974. They have been informed that prior to the introduction of the development Rebate allowance, Shipping Companies like other undertakings were receiving various allowances like initial depreciation to the extent of 20 per cent of the cost of each asset, double normal depreciation etc. With the introduction of the development rebate allowance, these concessions were withdrawn. According to the Shipping Corporation of India, with the withdrawal of development rebate allowance, the Shipping Companies would be left with no tax-benefits at all and this would considerably affect their profitability and consequently their capacity for expansion.

Indian Shipping Companies are required to find from their own resources the first 10 per cent of the price of the ships ordered by them (5 per cent for ships built in Hindustan Ship Yard) in order to qualify for loan from Shipping Development Fund for the balance price of the ships. The withdrawal of development rebate allowance will result in reducing the internal resources and the ability of the Shipping Corporation to borrow further funds. The Committee have also been informed that even traditional shipping countries assist their shipping by means of subsidies, tax benefits etc.

The Committee understand that the Shipping Corporation has already placed sizeable orders for additional ships on the understanding that the development rebate allowance will continue to remain available. During the course of evidence, Chairman and Managing Director pleaded before the Committee that the unexpected withdrawal of the rebate from May, 1974, when most of the ships for which orders have already been placed will be delivered, would create a difficult situation for the Corporation. The Committee recommend that in view of crucial importance of shipping for mercantile trade and as a second line of defence in emergency, the plea of the Chairman and Managing Director for continuance of the Development rebate deserves sympathetic consideration. In case this is not found feasible, Government may examine the question of suitably compensating the extra liability by grant of subsidy etc.

IX

ORGANISATION

A. Organisational Set-up

9.1. The Head Office of the Corporation is situated at Bombay. It has also two branches one at Calcutta and the other at Mombasa (East Africa). The general Managaement of the business is in the hands of the Chairman & Managing Director, suoject to the control and supervision of the Board of Directors.

9.2. At the Head Office, the working of the Corporation is divided into 5 Main Departments each headed by a Departmental Head. The Departmental Heads are directly responsible to the Managing Director. The 5 Departments at the Head Office are the following:—

(1) Administration and Secretarial.
(2) Finance and Accounting.
(3) Research, Planning and Development.
(4) Commercial and Traffic.
(5) Technical.

9.3. The Administration Department looks after the functions relating to board, administration, shore establishments, purchase, insurance, etc. The Finance and Accounts Department is concerned with the maintenance of financial accounts, internal audit, budgets and control, management reporting etc. The Research, Planning and Development Department carries out feasibility studies, study of modern trends in shipping, ship building techniques, design, etc. and assists the management in formulating plans for the future. The Commercial and Traffic Department formulates and implements the trade. Policies programmes and commercial operation of the ships, solicits business, maintains liaison with brokers, trade, agents, shippers etc. and ensures optimum utilisation of tonnage. The Technical Department supervises the technical operation of all vessesl, work of masters and chief engineers, vessels, maintenance and repair, maintenance of vessels' records and technical details and personnel manage ent of employees on vessels. In addition to the five departments mentioned above there is a separate Public Relations Division and a Co-ordination and Training Division under the direct supervision of the Chairman and Managing Director.

9.4. The Calcutta Branch is in the charge of a Branch Manager. He is directly responsible to the Managing Director. But the Departments at the Head Office also exercise functional control directly on the corresponding Departments at the Calcuatta Branch. The working of the Calcutta Branch in divided into the following 5 Departments:

(*a*) Administration and Establishment Department.
(*b*) Technical Department.
(*c*) Commercial and Traffic Department.
(*d*) Accounts and Audit Deparment.
(*e*) General Department.

9·5. A large number of the vessels of the Corporation are Calcutta-based. The Calcutta Branch is therefore concerned primarily with the commercial operation of these vessels, with their maintenance and with the handling of cargo on them at Calcutta. The Calcutta Branch carries out these functions according to the policies laid down by the Head Office. The vessels of the Ministry of Home Affairs which are engaged in passenger and cargo traffic from and to Andamans and Nicobar Islands and with the manning and maintenance of which the Corporation is concerned, are also Calcutta-based.

9·6. In so far as the accounting functions are concerned, the main books of accounts relating to the transactions of the Corporation and its branches and agencies are maintained at the Head Office in Bombay. The Calcutta branch forwards to the Head Office the primary accounts documents in original. The Head Office analyses and incorporates the same in the main books of accounts.

9·7. The Mombasa Branch of the Corporation is also under a Branch Manager who is directly responsible to the Managing Director. The Departments at the Head Office also exercise functional control directly on the corresponding functions at the Mombasa Branch. The Mombasa Office is mainly concerned with the operation of the Corporation's passenger-*cum*-cargo vessel plying on the India/East Africa service. In addition, it also looks after those cargo vessels which call at the East African ports. As the Mombasa Branch is small, its working has not been departmentalised.

9·8. The Committee enquired whether the present organisational set up of the Shipping Corporation of India was conducive to the attainment of the objectives for which the Shipping Corporation of India was set up. The Committee were informed that the organisational set-up which the Corporation has built up has been able to stand-up to the vast increase in its responsibilities and areas of operations. The structure of the organisation has been brought up to a stage where it is in a position to shoulder much more onerous tasks which lie ahead.

The Committee were also informed that the Corporation's organisational set-up compares very well with that of other Shipping Companies in India and abroad.

B. Board of Directors

9·10. According to the Articles of Association of the Shipping Corporation of India, the number of Directors of the Corporation cannot be less than two or more than fourteen. One of the Directors has to be a representative of the Ministry of Finance, Government of India.

9·11. The Directors are appointed by the President of India. The Chairman of the Board of Directors is appointed by the President of India from amongst the Directors. One of the Directors is appointed as the Managing Director.

9·12. As on 1st September 1971, the Board of the Shipping Corporation comprised of 11 Directors. out of which 7 were officials and 4 non-officials.

Out of 4 non-officials one was an industrialist, another MLA in Maharashtra Legislative Assembly and two retired Government Officials.

9·13. The Committee enquired whether the Shipping Corporation of India had considered the desirability of including more non-officials on the Board drawn from public or business life. The Chairman, SCI stated—

> "Our Board consists very largely of non-officials. Some of them are retired Government officers on the Board. I would say only two things about the Board. First is that the Board has functioned as a very homogenous team. Not one decision has been taken in the entire decade except by unanimity. Secondly, the Shipping Corporation in the course of its development has taken fairly major risks. These risks could have landed us in difficulty. But they have been successful and they have brought good results. The Board has taken commercial risks which are necessary and have the possibility of producing good results. The functioning of the Board is as it ought to be in a commercial enterprises. There has been no red tapeism. So far as putting the non-officials and retired Government servants on the Board is concerned, that is a matter of selection".

9.14. **The Committee note that out of 11 Directors of the Company, four are non-officials, out of whom two are retired Government officials. The Committee would in this connection like to invite a reference to their following recommendation in para 86 of their 3rd Report on Shipping Corporation of India: "Apart from the fact that a retired official would have more time to devote to the affairs of the Corporation than a serving official, the Committee do not think that he would be able to bring in an approach radically different from that of official as could be expected of a non-official The Comittee therefore consider it desirable to associate a few prominent non-officials who have knowledge of the problems of shipping industry on the Board of Directors of the Corporation. Some of them might perhaps be selected from All India Organisation representing shipping." In their reply dated 29th September, 1967, to this recommendation, the Ministry had stated that Government had noted the recommendation of the Committee and will keep the same in view while making future appointments. The Committee regret to note that, in spite of the acceptance by Government of the recommendation of the Committee, two out of 4 non-official Direcors on the Board of Directors of the Corporation, were retired Government officials and there was no member on the Board having experience of the Shipping industry. The Committee would reiterate their earlier recommendation in its 3rd Report and suggest that a few prominent non-officials, who have knowledge of the problems of Shipping industry may be represented on the Board of Directors of the Corporation.**

X

CONCLUSION

10·1. The Shipping Corporation of India was established on 2nd October 1961 with the amalgamation of Eastern Shipping Corporation Ltd. and the Western Shipping Corporation Ltd. The main objects and functions of the Corporation are to own and charter vessels and to operate shipping services (both cargo and passenger) between India and other countries of the world as well as on the coasts of India.

10·2. The Shipping Corporation of India has made a substantial contribution to the development of country's tonnage. The Corporation has raised its fleet from 17 ships of 1·26 lakh GRT as on 31st March, 1961 to 79 ships of 8·85 lakhs GRT representing an increase of about 6·2% over the Corporation's tonnage in March, 1961. The Committee find that though the Corporation had in their second plan fixed a target of 12·28 lakhs GRT to be achieved by 31st March 1971 and a total tonnage of 15·47 lakhs GRT by 1975, the Corporation's tonnage as on 1st February 1972 was only 79 ships of 8·85 lakh GRT. There was thus a shortfall of 28% in achievement of target of tonnage leaving an appreciable gap between the targetted and actual tonnage of the Coroporation.

10·3. The Committee recommend that whatever might have been the shortfall in achievement of targets in the past, the Corporation should gear up its machinery suitably and take appropriate action at all levels to achieve the targetted tonnage of 15·47 lakh GRT by 1975. Government should provide all facilities to the Corporation in this regard and also keep a watch on the progress of construction of ships so that the delivery schedules as agreed upon are adhered to and the Corporation is able to acquire the vessels in time.

10·4. The Committee recommend that the Corporation should draw up a phased programme for replacement of the old ships which are found to be uneconomic so that these can be disposed of at a most opportune time to the financial advantage of the Corporation.

10·5. The Committee also recommend th t if the targets fixed under the Five Years Plans for augmentation in the tonnage of country are to succeed, Government should draw up a need-based programme, integrated with the capacities of the indigenous Shipyards in the country and the known demands of the Shipping enterprises in general and the Shipping Corporation of India in particular.

10·6. There should be close liaison and understanding between the Shipping Corporation of India and the Hindustan Shipyard and Mazagon Dock Ltd. so that the latter can take up the building of ships in accordance with the requirements of the Corporation and in the light of the latest technological developments. The Committee suggest that a high-powered Committee having representatives of the Shipping Corporation and other shipping interests and Hindustan Shipyard and Mazagon Dock Ltd. may be constituted by Government in order to provide guidance and resolve without delay to all problems regarding building of ships.

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10·7. The Corporation have suffered a loss of profits on account of delayed delivery of vessels (excluding grace period) by the foreign and Indian Shipyard amounting to Rs. 49·64 lakhs. Besides, delay in delivery of 4 vessels had devolved on the Corporation an additional expenditure of Rs. 60·89 lakhs by way of increase in the price charged by the Hindustan Shipyard on account of devaluation. The Committee note that in recent contracts, some important changes have been effected to ensure timely delivery of ships. The Committee suggest that the effect of these changes should be watched. Every assistance by Government should be extended to Hindustan Shipyard to meet to the largest extent possible the demand of ships by Shipping Corporation of India. Government should particularly watch the progress made by the Hindustan Shipyard to manufacture the ships so that difficulties if any, are resolved in time to adhere to the time schedule for delivery.

10·8. The Committee note that as on 31st March 1971, the percentage of tonnage acquired or to be acquired by the Shipping Corporation of India with Shipping Development Fund Committee loans to total tonnage (including tonnage on order) was 73·15 as against 58·3 in respect of Scindias, 86·4 in respect of Great Eastern, 74·27 in respect of Jayanti and 100 in respect of South India Shipping Corporation. The Committee would like Shipping Corporation to make greater use of the financial assistance available from the Shipping Development Fund Committee in order to accelerate the acquisition of additional tonnage to reach the Plan target.

10·9. The Committee note that in the international field, a seller's market has developed and the leading shipyards are not inclined to accept deferred payments. They would like Government to take assistance of World Bank and other international institutions in order to obtain loans on liberal terms for the pruposes of purchasing additional tonnage. The Shipping Corporation should explore carefully the possibilities of placing orders on most favourable terms with the Shipyards of proven standing in the world so as to acquire ships which would give guaranteed and trouble-free service. Above all, the Shipping Corporation should pay special attention to the efficient and economic running of ships so as to keep their operating expenses to the minimum.

10·10. The Shipping Corporation which started in October, 1961 essentially as a liner shipping company have now greatly diversified its fleet. The Committee find that today the Corporation has emerged as the largest bulk carrier owner (in terms of Deadweight) in the country and that these bulk carriers are earning substantial foreign exchange for the country in the international tramp market. The Committee however, note that Corporation has yet to resume tramp operation. The Committee recommend that the scope for diversification of the fleet should be kept under close and continuous study by the Government as well as the Corporation in order to keep an eye on the latest trends in the international shipping services and bring about such diversification in the field as may be called for consistent with the country's trade requirments.

10·11. The Committee note that the development of ports in the Country, had not kept pace with the development of Shipping in the Country. Though the ports are yet to be developed, the Shipping Corporation of India had gone

ahead and ordered large size ships. Since the existing facilities available at the ports are not adequate to accommodate large size sips, the Shipping Corporation of India had to charter them out. The Committee recommend that development of ports and ordering of ships should go hand in hand. The Government should have an integrated programme for development of shipping fleet and ports consistent with India's export and import trade. The Committee expect Government to ensure that the integrated programme is implemented in accordance with agreed schedule so as to derive the maximum benefit in the overall interest of the country's trade.

10·12. The Committee find that there has been large increase in the number of voyage days on some of the sectors specially on India-U.K. and Indian-Black Sea sectors. The Committee recommend that it is essential for the economic working of the Corporation to reduce the voyage time by using the appropriate type of vessels for the nature of cargo lifted, especially for the transportation of steel items. The Corporation should also review their schedules in regard to calling at ports in out-of-the way places keeping in view the trade prospects in such ports.

10·13. The Committee also note that overall delays in the ports have increased from 9·3% of the voyage days in 1968-69 to 10·2% in 1969-70. The largest number of days lost was due to berthing delays which were as high as 973 days in 1969-70. The Committee were informed that various measures have been instituted by Government to obviate such berthing delays *e.g.*, expansion of existing ports and construction of new major ports under successive Five Year Plan programmes and installation of mechanised equipment suited to each commodity. The Committee recommend that continuous efforts should be made to improve turn-round of ships by bringing down the average voyage days and the delays at the ports to improve the operating results of the Corporation.

10·14. The Committee find that the profits earned by cargo liner services had come down from Rs. 538·86 lakhs in 1967-68 to Rs. 440·12 lakhs in 1970-71 despite the increase in freight rates on some of the sectors and consequently higher earnings during these years. The reduction in profit is mainly on account of increase of stevedoring and other cargo handling expenses, change in cargo mix in the country's international trade, and substantial reduction in revenue tons carried during 1970-71 as compared to 1967-68 on some of the sectors. The Committee stress the imperative need for reducing the operating cost to improve the profitability of the cargo liner services. Steps should be taken to improve earnings by maximum utilisation of capacities and by securing better paying cargo. A constant watch should be kept on the operation of each vessel to achieve the maximum revenue.

10·15. The Committee regret to note that the Corporation has suffered a loss of 40·60 lakhs in 1970-71 on the operation of two passenger-*cum*-cargo services to India/East Africa and India/Straits. The main reasons advanced for the heavy loss suffered on these services was that there was a sharp increase in the standing charges due to the aging of the vessels which were built in 1948. It is surprising that although the proposal for replacement of these vessels was first mooted in 1964-65, the orders for two new passengers-*cum*-cargo

liners were placed on Mazagon Dock Ltd., only in June, 1968 and these are scheduled to be supplied by October, 1973 and April, 1975. The delay of about 4 years in placing orders can hardly be justified. It has been admitted by the Management that there was no hope of showing good operating results until and unless these ships were replaced by new ones.

The Committee recommend that Mazagon Dock Ltd. may be urged to supply the ships at the earliest.

10·16. The Committee find that heavy losses have been suffered on the running of the services between mainland and Andaman and Nicobar Islands. The Committee regret to note that although in pursuance of the recommendations of the Committee in their 3rd Report (April, 1965) Government had decided that the complete operational control over these services would be transferred to the Shipping Corporation of India it has not been done even after the lapse of four years. The Committee takes a serious view of the delay in the implementation of the recommendation of the Committee which was accepted by the Government as far back as 1967.

10·17. The Committee have been informed of the recent decision of the Government that losses up to 80 per cent. sustained by the Corporation on the services operated with the vessels owned by the Corporation between mainland and Andaman and Nicobar Islands would be reimbursed to them. The Committee would like the working of this arrangement to be reviewed after two years to see what economies could be effected in the interest of reducing the losses. The Committee would also stress that the Shipping Corporation should popularise their services as the Andaman and Nicobar Islands have great potentialities as tourist resorts. The Committee feel that with the development of traffic it should be possible to reduce the losses.

10·18. The Committee regret to note that the operational results of four tankers purchased by the Corporation for coastal movement of oil products have not been satisfactory. The Corporation suffered continuous losses on their operation from 1963-64 to 1966-67. The losses would have been continued even in 1967-68 and 1968-69 but for the profits earned by one of the tankers *viz.*, M.T. Desh Alok in 1967-68 and 1968-69. The Committee also note that the main reason for the losses was that the Second-hand vessels acquired by the Corporation especially Desh Se ak (old) and Desh Sewak (new) were laid off for repairs for long period.

10·19. The Committee are left with a feeling that sufficient care was not bestowed in conducting the original inspection of the tanker Desh Sewak, (new) before the purchase was decided upon. The Committee also regret to observe that the very purpose of purchase of tankers to meet the need of the coastal trade especially in the context of development of refineries has not been fully achieved.

10·20. The Committee find that he Committee appointed by National Shipping Boar l had reco mmended acquisition of 23 new vessels of 14,000 DWT each by 1971 to meet the requirements of coastal trade, tak ng the traffic projections of coastal dry cargo movement as about 3 million tonnes based on the tonnage of 2·32 million tonnes obtained in 1967.

10·21. The Committee were informed that 10 ships of 15,000 DWT each are now on order in Romania which while being of the universal bulk carrier types can be used for the carriage of coal etc. along the India coast. Out of these 10 ships on order, 4 are on Corporation's account. The Committee were informed that the total coastal dry cargo movement including coal, salt etc. has come down to 1·23 million tons in 1970. The Committee would, therefore, suggest that Government should review the position and fix the requirements of additional tonnage on a more realistic basis and plan the purchase of additional vessels accordingly.

10·22. The Committee find that the Fourth Five Year Plan envisages that the Indian Shipping would cater for about 20 per cent. of the country's overseas trade at the end of the Fourth Plan. However, the percentage of the foreign trade carried by Indian Shipping at the end of 1969-70 was only 21·34 per cent. It is therefore evident that only a little over 50 per cent. of the target could be covered so far.

10·23. The Committee also note that although the cargo carried (revenue tons) by the Shipping Corporation of India has increased from 15·41 lakh tons in 1965-66 to 23·00 lakh tons in 1969-70, the rate of growth has been lower as compared to other Indian vessels. The share of the Corporation in quantity carried by Indian vessels had thus come down from 27·6% in 1965-66 to 21·73% in 1969-70. The Committee therefore desire that the reasons for the decline in the share of the Corporation in quantity carried by Indian Vessels should be investigated and the Committee informed.

10·24. The Corporation should devote special attention to maximum utilisation of existing capacity and to increase its tonnage so that a large share of the country's foreign trade is carried by Indian vessels.

10·25. The Committee find that the percentage of net profit to capital employed came down from 10% achieved in 1967-68 to 5·7% in 1969-70. This trend however changed in 1970-71 and the Corporation had been able to earn a profit of 5·9% on the capital employed. The Committee hope that the present rate of return on capital will be improved upon in coming years.

10·26. The Committee suggest that the measures taken by the Corporation to reduce the operating expenses by improving method of cargo handling and readjusting tonnage of vessel according to trade pattern etc. should be kept under continuous review by the Corporation in order to effect improvements and economy.

10·27. The Committee regret to note the heavy amount outstanding against Sundry Debtors of the Corporation. The outstandings which were Rs. 434 lakhs in 1966-67 representing 15·2% of the operating income of that year had risen to Rs. 1683 lakhs as on 31-3-70 representing 26% of the operating income of the year. Similarly the outstandings over six months have also shown an increasing trend and had gone up from 3·2% of the operating income in 1966-67 to 9·5% in 1970-71.

10·28. The Committee recommend that the present procedure for billing and collection of outstandings should be reviewed and streamlined to enable prompt recovery of all dues and have an effective control over them.

10·29. The Committee also suggest that Corporation should lay down in clear terms, its credit policy and ensure its strict observance both in letter and spirit. The Committee recommend that a careful analysis of the dues outstanding for over six months should be undertaken and the cases pursued vigorously at the highest level especially with the Government Departments so that the dues may be realised expeditiously and the financial position of the Corporation may be improved.

10·30. The Committee note that there is a proposal to withdraw the development rebate allowance to Indian Shipping after May, 1974. The Committee understand that the Shipping Corporation has already placed sizeable orders for additional ships on the understanding that the development rebate allowance will continue to remain available. During the course of evidence, the chairman and Managing Director pleaded before the Committee that the unexpected withdrawal of the rebate from May, 1974, when most of the ships for which orders have already been placed will be delivered, would create a difficult situation for the Corporation. The Committee recommend that in view of crucial importance of shipping for mercantile trade and as a second line of defence in emergency, the plea of the Chairman and Managing Director for continuance of the development rebate deserves sympathetic consideration. In case this is not found feasible, Government may examine the question of suitably compensating the extra liability by grant of subsidy etc.

M. B. RANA,

Chairman,

Committee on Public Undertaking.

NEW DELHI ;

April 24, 1972.

Vaisakha 4, 1894 (S).

APPENDIX I

(*Vide* para No. 2·25)

Details of Second Hand Cargo Liners

Srl. No.	Name of Vessel	Tonnage		Price (Rs.)	Year of Built	Date of Acquisition	Balance life at the time of purchase (Years)	Remarks
		GRT	DWT					
1	State of Saurashtra	7,217	10,310	20,31,250	1944	29-3-50	14	Sold on 31-12-60
2	State of West Bengal	7,216	10,310	20,31,250	1944	6-4·50	14	Sold on 11-10-60
3	State of Andhra ..	4,519	7,700	43,46,087	1947	28-8-53	14	
4	State of Assam ..	8,394	11,270	77,46,783	1957	16-10-59	18	
5	State of Bihar ..	8,394	11,270	77,46,783	1957	11-1-60	18	
6	State of Maharashtra	9,332	13,358	99,50,586	1959	30-8-60	19	
7	State of Gujarat ..	6,642	11,200	92,65,696	1957	14-10-60	17	
8	State of Kerala ..	6,626	11,260	87,48,522	1957	24-2-62	16	
9	Vishva Sudha ..	10,447	15,206	83,47,826	1959	4-10-62	17	
10	Vishva Kanti ..	7,055	10,684	72,95,541	1956	29-10-64	13	
11	Vishva Vir ..	7,055	10,687	72,95,541	1957	10-11-64	13	
12	Vishva Pratap	7,055	10,697	72,95,540	1957	4-12-64	13	
13	Vishva Marg ..	2,353	3,454	33,75,000	1958	1-3-68	11	
14	Vishva Vinay	2,353	3,472	33,75,000	1958	15-3-66	11	
15	Vishva Kusum	3,156	4,940	42,18,750	1955	19-3-68	8	
16	Vishva Suman	3,174	4,940	42,18,750	1956	27-3-68	9	
17	Vishva Anand ..	3,864	4,018	65,62,500	1958	18-6-68	10	
18	Vishva Lalita	3,936	4,065	64,68,750	1957	20-6-68	10	
19	Vishva Pratibha ..	3,903	4,050	64,68,750	1957	27-6-68	10	
20	Vishva Vivek ..	10,843	15,010	1,51,12,500	1959	30-10-68	11	
21	Vishva Vandana ..	10,672	14,652	1,51,12,500	1959	26-11-68	11	
22	State of Tamil Nadu	7,115	10,654	1,29,00,000	1959	26-6-70	9	

APPENDIX II

(*Vide* para 2·43)

Statement showing the details of the tonnage purchased or proposed to be purchased by the Shipping Corporation of India Limited.

Vessel's Name	DWT	Contract Price (Rs. in lakhs)	Date of Delivery	Delivery was to be affected in
1	2	3	4	5
A. Vessels Purchased				
(i) *From India*				
(a) *Hindustan Shipyard Ltd, Visakhapatnam.*				
1. State of Kutch	8,123	104·50	25-11-56	
2. State of Orissa	8,039	103·50	31-12-57	..
3. S/O Uttar Prradesh	9,480	145·00	16-1-61	November 1960
4. State of Rajasthan	9,492	145·00	18-5-61	December 1960
5. Vishva Nidhi	9,514	145·00	2-10-61	March 1961
6. State of Punjab	12,810	143·00	6-4-62	September 1961
7. Vishva Prem	12,812	143·00	28-1-63	December 1961
8. Vishva Maya	12,810	143·00	30-4-63	March 1962
9. Vishva Mangal ..	12,840	143·00	23-9-63	July 1962
10. S/O Madhya Pradesh ..	13,197	137·00	4-5-65	March 1964
11. S/O West Bengal	13,209	136·00	9-4-66	Sept. 1964
12. State of Mysore	13,200	136·00	11-10-66	April 1965
13. Vishva Tej	13,191	135·65	2-10-67	May 1966
14. Vishva Tirth	13,180	135·65	3-12-67	July 1966
15. Visva Sova	13,236	135·65	23-2-68	Oct. 1966
16. Vishva Siddhi	12,767	236·00	12-9-68	June 1968
17. Vishva Bhakti	12,934	236·00	29-1-69	Sept. 1968
18. Vishva Shobha	17,727	236·00	11-5-69	December 1968
19. Vishva Shakti	12,697	241·00	17-12-69	March 1969
20. Vishva Dharma	12,649	241·00	20-4-70	June 1969
21. Vishva Vikram	12,677	241·00	12-9-70	Sept. 1969
22. Vishva Darshan	12,680	335·00	2-7-71	Schedule adhered to

1	2	3	4	5
(c) *Mazagon Dock Ltd., Bombay*				
1. Onge (Passenger-*cum*-Cargo Vessels)	344	107·00	29-11-69	March 1969
(*ii*) *From Abroad*				
(*a*) *Lubecker Flender Werke A.G. Lubeck, W. Germany*				
1. S/O Tranvancore-Cochin	9,942	117·71	1-10-54	Schedule adhered to
2. Vishva Jyoti	12,792	159·79	23-4-59	Do
3. Vishva Kirti	12,792	160·08	23-9-60	Do
(*b*) *Uljanik Shipyard, Pula, Yugoslavia*				
1. Vishva Prabha	12,959	138·95	3-6-59	Do
2. Bellary (Ore/Oil Grain Carrier)	85,589	675·00	7-2-70	October 1969
3. Baraunni Do	85,826	675·00	10-10-70	January 1970
4. Bailadilla Do	85,826	675·00	23-2-71	June 1970
(*c*) *Cantiere Navale Apunia Italy*				
1. Vishva Usha	12,656	168·00	4-2-60	Schedule adhered to
(*d*) *Harima Shipbuilding & Engineering Co. Japan*				
1. Desh Deep (Tankor)	11,984	108·73	30-9-59	Do
(*e*) *Hitachi, Shipbuilding & Engineering Co. Ltd. Japan.*				
1. Desh Bandhu (Super Tanker) ..	36,232	212·43	19-3-64	Do
2. Lajpat Rai Do ..	48,558	257·00	24-7-65	Do
(*f*) *Contromor Centrala Morska Imporowo Eksportwa, Mokolowska, 49, Warszawa, Poland.*				
1. Vishva Mahima	12,122	125·00	30-12-65	Do
2. Vishva Kalyan	12,113	125·00	30-4-66	Do
3. Vishva Vibhuti	12,088	125·00	25-6-66	Do
4. Vishva Raksha	12,094	125·00	18-8-66	Do
(*g*) *Brodogradiliste, 3 Mai, Rejoka, Yugoslavia.*				
1. Vishva Kaushal	14,709	128·67	27-5-66	Febrnray 1966
2. Vishva Vijaya	14,703	128·67	18-9-66	August 1966
3. Vishva Tilak (Coastal Coal Carriers)	14,701	128·67	18-12-66	October 1966
4. Ajanta (Bluik Carrier)	41,398	226·67	20-3-68	Schedule adhered to
5. Sanchi	41,398	226·67	6-8-68	Do
6. Nalanda	41,398	226·67	22-11-68	Do

1	2	3	4	5
(h) Brodogradiliste 3, Split, Split Yugoslavia				
1. Jawaharlal Nehru	87,612	654·00	30-9-69	May, 1969
2. Lal Bahadur Shastri (Giant Tankers)	87,649	654·00	10-6-70	December, 1969
(i) Titova Brodogradiliste, Kraljevica, Yugoslavia				
1. Amindivi (Passanger-cum-Cargo vessel) ..	1,947	157·50	22-2-70	December, 1969
(j) Centromor Centrale, Morska Importowo-Eksportowa, Gdansk UI 7, Poland				
1. Vishva Vikas	11,463	246·00	1-10-68	Schedule Adhered to
2. Vishva Sandesh	11,382	246·00	20-1-69	Do
3. Vishva Chetana	11,490	246·00	21-4-69	Do
4. Vishva Bindu	11,500	246·00	29-11-69	Do

B. VESSELS ON ORDER TO BE DELIVERED

(i) From India

(a) Hindustan shipyard Ltd. Visakhapatnam, 6 Cargo Liner vessels.

	DWT		*Contracted date of Delivery*
1st Vessels	12,360	335·00	December, 1971
2nd Vessels	13,400	410·00	August, 1972
3rd Vessels	13,400	410·00	November, 1972
4th Vessels	13,400	410·00	January, 1973
5th Vessels	13,400	410·00	July, 1973
6th Vessels	13,400	410·00	November, 1973
(b) Mazagon Dock Ltd., Bombay			
2 Passanger-cum-cargo Vessels ..	3,555	539·00	October, 1973
	4,418	565·00	April, 1975

(ii) From Abroad

(a) Shipyard & Diesel Engine Factory, Split, Yugoslavia

2 Tankers of 1,15,000 DWT each ..	1226·25*	April, 1974
	1237·50*	November, 1974
2 OBO Carriers of 1,08,000 DWT each	1410·00	April, 1973
	1410·00	October, 1973

(b) Warnemundo Shipyard G. D. R.

6 Container oriented high speed cargo liners of 14,900 DWT each	412·50	December, 1972
	412·50	September, 1973
	412·50	September, 1974
	412·50	December, 1974
	412·50	September, 1975
	412·50	December, 1975.

*Price subject to escalation.

1	2	3	4	5
		(c) Galati Shipyard Romania		
4. Small Bulk Carriers of 15,000 DWT each		237·00		December, 1972
		237·00		September, 1973
		237·00		September, 1974
		237·00		June, 1975
		(d) Mitsublishi Heavy Industries Ltd. Japan		
1. Bulk Carrier of 1,26,000 DWT each		1425·00		December, 1974
		(e) Lithgows Ltd. U. K.		
2. Bulk Carriers of 75,000 DWT each		1048·50*		October, 1974
		1048·50*		August, 1975
		(f) V/o 'Sudoimport' USSR		
3. Tankers of 16,300 DWT each		431·25		December, 1973
		431·25		December, 1974
		431·25		December, 1975
4. Cargo Liners of 13,600 DWT each		450·00		September, 1973
		450·00		September, 1973
		450·00		December, 1973
		450·00		December, 1973

*Price Subject to escalation.

APPENDIX III

(*Vide* para 5·4)

Overseas Cargo Liner Services :

East Coast India-East Parkistan/Australia
West Coast India/Australia
East Coast India/Far East/Japan
West Coast India/Far East/Japan
West Coast India/East Africa
India/Black Sea Ports
India-Pakistan/U.K.-Continent
India/Poland
India/U.S.A. (Atlantic & Gulf of Maxico)
India/U.S.A. Canada (Pacific Coast)
East Coast India/East Coast Canada-Great Lakes
India/U.A.R.
East Coast India/West Asia (Gulf)
West Coast India/West Asia (Gulf)
India/West Asia (Red Sea)
India/German Democratic Republic
India/Adriatic
India/Mauritius

Passenger-cum-Cargo Services :

Bombay/East Africa
Madras/Malaysia-Singapore
Rameshwaram/Talaimannar (India/Ceylon)
Mainland/Andaman-Nicobar Islands
(On behalf of Government of India)
Mainland/Laccadive Islands (on behalf of Govt. of India)

Tankers :

On Indian Coast
On Overseas Trades

Coal Carriers :

On Indian Coast

Bulk Carriers :

On Overseas Trade.

APPENDIX IV

(*Vide* para 5·5)

Overseas Liner Routes in Operation

	Number	Description of Service
in 1960-61	6	India-East Africa; India-Malaya (Passenger services) East Coast of IndiaAustralia East Coast of India-Japan India-Black Sea India-Poland
in 1961-62	8	Above +West Coast of India-Japan and India-U.K. Continent.
in 1962-63	8	Do.
in 1963-64	9	Above + India-U.S.A.
in 1964-65	10	Above + India/U.A.R.
in 1965-66	11	Above + Rameswaram/Talaimannar
in 1966-67	11	Do.
in 1967-68	11	Do.
in 1968-69	19	Above + E.C. India-West Asia (Gulf) W.G. India-West Asia (Gulf) India-West Asia (Red Sea) India-USA-Canada (Pacific Coast) West Coast of India-Australia West Coast of India/East Africa Service India/German Democratic Republic India/Adriatic
in 1969-70	20	Above + E.C. India/E.C. Canada—Great Lakes
in 1970-71	21	Above + India/Mauritius

APPENDIX V

(*Vide* para 5·49)

Sl. No.	Sector	Average cargo per voyage (in revenue Tons)			
		1967-68	1968-69	1969-70	1970-71
1	2	1	2	3	4
1.	India/U.K.	20,400	17,110	19,725	19,589
2.	India/USA (Atlantic) ..	19,697	17,382	18,795	19,225
3.	India/USA (Pacific) ..	..	17,074	15,057	15,648
4.	India/Black Sea	15,877	17,394	18,659	19,036
5.	Calcutta/Japan	16,758	16,182	12,720	8,787
6.	Bombay/Japan	15,423	13,579	13,127	14,110
7.	Calcutta/Australia	15,907	15,318	13,848	14,509
8.	Bombay/Australia	..	8,054	11,581	10,207
9.	India/West Asia	..	3,925	4,946	4,756
10.	India/East Africa	..	3,648	4,888	4,605
11.	India/USA (Great Lakes) Canada.	..	..	..	20,392

Sl. No.	Sector	Average freight per voyage (Rs. in lakhs)			
		1967-68	1968-69	1969-70	1970-71
1	2	1	2	3	4
1.	India/U.K.	41·07	33·96	41·40	43·09
2.	India/USA (Atlantic) ..	50·50	43·12	47·86	55·73
3.	India/USA (Pacific)	..	44·06	49·87	54·51
4.	India/Black Sea	33·40	35·02	33·87	37·15
5.	Calcutta/Japan	16·85	17·48	12·95	11·57
6.	Bombay/Japan	17·44	17·01	16·65	19·20
7.	Calcutta/Australia	26·81	30·01	30·93	35·39
8.	Bombay/Australia	..	16·09	22·25	28·96
9.	India/West Asia	..	4·98	6·64	6·20
10.	India/East Africa ..	..	4·38	6·08	6·38
11.	India/USA (Great Lakes) Canada	..	..	..	64·07

Sl. No.	Sector	Average freight per revenue Tons (in Rupees)			
		1967-68	1968-69	1969-70	1970-71
1	2	1	2	3	4
1.	India/U.K.	201·33	198·47	209·89	219·97
2.	India/USA (Atlantic) ..	256·38	248·05	254·61	289·8[illegible]
3.	India/USA (Pacific)	..	258·05	331·23	348·3[illegible]
4.	India/Black Sea	210·39	201·33	181·50	195·15
5.	Calcutta/Japan	100·53	108·00	101·85	131·78
6.	Bombay/Japan	113·11	125·27	126·85	136·30
7.	Calcutta/Australia	168·55	195·93	223·36	224·00
8.	Bombay/Australia	..	199·77	191·94	283·72
9.	India/West Asia	..	126·91	134·28	134
10.	India/East Africa	..	120·14	124·45	138·32
11.	India/USA (Great Lakes) Canada	..	..	..	314

APPENDIX VI

(*Vide* para 5·50)

Sector-wise Profits of Cargo Vessels

Sl. No.	Name of Sector	Net Profit (Rs. in lakhs)			
		1967-68	1968-69	1969-70	1970-71
1.	East Coast India/Australia	36·23	31·54	—1·22	13·64
2.	West Coast India/Australia	..	—12·45	—30·40	(—)12·22
3.	East Coast India/Far East (Japan) ..	—21·67	3·00	—19·83	—13·79
4.	West Coast India/Far East (Japan) ..	32·84	27·89	—0·52	10·88
5.	India/U.K. Continent..	137·81	117·92	124·19	97·57
6.	India/Black Sea	65·06	98·40	79·55	83·65
7.	India/USA (Atlantic)	288·59	181·47	153·17	97·40
8.	India/USA (Pacific)	..	32·10	117·91	97·32
9.	East Coast India/West Asia (Gulf) ..	..	(—)2·80	12·65	15·02
10.	East Coast India/West Asia (R. Sea) ..	..	—6·74	—1·33	—1·06
11.	West Coast India/West Asia (Gulf) ..	..	—2·83	—5·69	—4·64
12.	India/East Africa (Passenger-cum-Cargo)	7·13	—9·95	—9·79	—19·64
13.	India/Straits (Passenger-cum-Cargo) ..	6·93	—15·70	9·36	—20·96
14.	India/East Africa (Cargo)	..	1·46	8·92	7·46

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APPENDIX VII

(*Vide* para 5·59)

Sector-wise Average Utilisation of Capacity

(Cubic capacity in lakhs)

Sl. No.	Name of Sector	Percentage of utilisation to capacity available					
		1968-69		1969-70		1970-71	
		Out	In	Out	In	Out	In
1.	E.C. India/Australia ..	69·31	86·95	77·48	96·95	81·49	91·96
2.	E.C. India/Japan Far East ..	94·81	65·74	89·71	62·92	80·81	77·19
3.	W.C. India/Japan Far East ..	76·53	77·64	79·48	71·33	74·16	83·02
4.	India/Black Sea	96·64	97·21	97·75	98·61	96·80	99·48
5.	India/U.K. Continent ..	97·46	94·84	94·66	94·30	98·28	97·02
6.	India/USA Atlantic ..	90·80	92·10	92·47	97·11	92·28	92·58
7.	India/USA Pacific	96·91	93·24	84·95	98·06	95·50	97·86
8.	W.C. India/Australia ..	41·36	54·41	40·73	84·84	83·15	86·09
9.	India/Red Sea	89·94	60·97	80·26	71·50	98·00	100·00
10.	W.C. India/West Asia (Gulf) ..	92·54	51·32	90·65	93·12	99·46	3·30
11.	E.C. India/West Asia (Gulf) ..	90·65	35·91	96·49	43·19	95·91	48·75
12.	India/E. Africa ..	100·00	100·00	96·01	98·67	98·09	83·69

APPENDIX VIII

(*Vide* para 5·59)

Statement showing the Freight Rates Increases by Major Conferences during the years 1969, 1970 and 1971

Sector	1969		1970		1971	
	% increase	Date from which effective	% increase	Date from which effective	% increase	Date from which effective
UK/CONTINENT/INDIA	..		15%	15-7-70	15%	15-3-71
INDIA/U.K. CONTINENT	..		12½%	15-7-70	12½%	1-6-71
U.S.A./INDIA ..	7½%	1-1-69	..	..	10%	1-1-71
	5%	1-10-69	..	..	..	..
INDIA/U.S.A./(Calcutta)	10%	11-1-69	..	..	5%	1-2-71
	5%	11-11-69	..	..	..	..
INDIA/U.S.A/(West Coast)	10%	1-1-69	..	..	7½%	15-2-71
	5%	1-12-69	..	..	..	..
AUSTRALIA/INDIA ..	..	..	7½%	1-3-70	10%	1-1-71
INDIA/AUSTRALIA/ (Calcutta) ..	..	..	7½%	1-3-70	12½%	1-1-71
Bombay ..	..	..	7½%	1-3-70	12½%	1-2-71
JAPAN/Calcutta ..	7½%	1-10-69	..	..	10%	1-4-71
Calcutta/Japan ..	7½%	1-10-69	..	..	12½%	1-7-71
Japan/Bombay ..	7½%	1-10-69	..	..	10%	1-4-71
Bombay/Japan ..	7½%	1-10-69	..	..	12½%	1-7-71
U.S.S.R./INDIA ..	..	..	..	..	10%	1-1-71
INDIA/U.S.S.R. ..	..	..	..	..	10%	1-1-71

APPENDIX IX

(*Vide* para 8·17)

Comparative Statement showing the Capital Employed and the Return thereon in Respect of the Shipping Corporation, Scindias, India Steamship and Great Eastern Shipping Company from 1961-62 to 1970-71

(Rs. in lakhs)

Year	S.C.I.			SCINDIA		
	Capital Employed	Return on Capital Employed	%	Capital Employed	Return on Capital Employed	%
1961-62	2,718·51	138·39	5·09	3,496·54	75·76	2·17
1962-63	2,771·16	168·52	6·08	3,428·08	176·01	5·13
1963-64	3,361·81	177·01	5·27	3,263·74	176·44	5·41
1964-65	3,549·75	208·74	5·88	3,484·70	174·93	5·02
1965-66	4,191·44	260·30	6·21	4,135·62	176·48	4·27
1966-67	5,182·42	603·13	11·64	4,968·85	227·37	4·58
1967-68	5,731·32	661·05	11·53	4,749·99	422·44	8·89
1968-69	7,206·58	639·52	8·88	5,173·50	437·79	8·46
1969-70	9,715·53	760·61	7·83	5,591·27	425·09	7·60
1970-71	11,677·06	967·36	8·28	6,130·36	469·84	7·66
Average for avobe 10 years	5,610·56	458·46	8·17	4,442·27	276·22	6·22

Year	I.S.S.			GREAT EASTERN		
	Capital Employed	Return on Capital Employed	%	Capital Employed	Return on Capital Employed	%
1961-62	1,874·64	—20·46	1·09	931·62	21·99	2·36
1962-63	1,727·52	5·30	0·31	1,045·75	83·98	8·03
1963-64	1,587·01	41·55	2·62	1,281·81	70·43	5·49
1964-65	1,448·22	62·23	4·30	1,255·08	62·19	4·96
1965-66	1,336·51	46·94	3·51	1,990·16	154·20	7·75
1966-67	1,264·82	84·47	6·68	2,077·60	220·37	10·61
1967-68	1,283·93	151·15	11·78	2,360·76	243·78	10·33
1968-69	1,253·55	152·08	12·13	2,669·34	288·22	10·79
1969-70	1,387·22	104·72	7·55	2,603·53*	207·58*	7·97
1970-71	1,196·59	17·07	1·43	3,226·64	452·57	14·03
Average for above 10 years	1,436·00	64·51	4·49	1,944·23	180·53	9·28

Combined average of Scindias, India Steamship and Great Eastern for the last 10 years	Capital Employed	7,822·50
	Return	521·25
	Percentage Return	6·66%

*For nine months.

APPENDIX X

Summary of Conclusions/Recommendations of the Committee on Public Undertakings contained in the Report

Serial No.	Reference to para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1.	2·4	The Committee note as against the provisional physical target of 40 lakhs GRT by the end of the Fourth Five Year Plan in the country, the country has a total tonnage of 25·09 lakhs GRT by 31st March, 1972. Besides there are firm pending orders of 57 ships of 11·71 lakhs GRT. After excluding 2·94 lakhs GRT for scrapping, the country's net tonnage would come to 33·77 lakhs GRT leaving a gap of about 6·23 lakh tonnes to be made up before the end of the Fourth Plan. The Committee were informed that the main difficulties in the way of building up of country's tonnage to the targetted level are that there has been a boom in the Shipyards of the world and they are unable to cope with the growing requirements of tonnage; secondly, the price of ships has shot up during the last three years. and thirdly, Shipyards now insist on cash payment. The Committee do not consider these difficulties as unsurmountable and recommend that concerted measures may continue to be taken by Government to ensure that the target of country's tonnage of 40 lakhs GRT is achieved by the end of the Fourth Plan.
2.	2·20 and 2·21	The Committee note that the Shipping Corporation of India has made a substantial contribution to the development of country's tonnage. In terms of percentage as at the end of 1971-72, the Shipping Corporation's tonnage accounts for 35·25% of country's tonnage as against the public sectors' contribution of 48·93%. The Corporation had drawn up its own five year plans synchronising with country's five year plans. Over a period of ten years (1961—71), the Corporation has raised its fleet from 17 ships of 1·26 lakhs GRT as on 31-3-1961 to 77 ships of 8·66 lakhs GRT as on 31-3-1971 and at present its fleet consists of 79 ships of 8·85 lakhs GRT representing an increase of about 602% over the Corporation's tonnage in March, 1961. While the Committee are happy at this pace of expansion, they find that though the Corporation

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		had in their second plan fixed a target of 12·28 lakhs GRT to be achieved by 31-3-1971 and a total tonnage of 15·4 lakhs GRT by 1975, the Corporation's tonnage as on 1-2-72 was only 79 ships of 8·85 lakhs G.R.T. There was thus a shortfall of 28% in achievement of target of tonnage leaving an appreciable gap between the targetted and actual tonnage of the Corporation. The Committee were informed that the shortfall was mainly due to non-availability of deferred payment facilities. The Committee have also been informed that Corporation would be able to fulfil the target of 15·47 lakh GRT by 1975 for which orders had been placed for 31 ships of 6·62 lakhs GRT. Of these, 3 ships are expected to be delivered in 1972; 14 vessels in 1973; 8 vessels in 1974 and 6 vessels in 1975.
		The Committee recommend that whatever might have been the shortfall in achievement of targets in the past, the Corporation should gear up its machinery suitably and take appropriate action at all levels to achieve the targeted tonnage of 15·47 lakhs GRT by 1975. The Committee recommend that Government should provide all facilities to the Corporation in this regard and also keep a watch on the progress of construction of ships so that the delivery schedules as agreed upon are adhered to and the Corporation is able to acquire the vessels in time.
3.	2·28	The Committee consider that while there might have been good reasons in the earlier years for the Corporation to go in for second handships, the position has changed considerably now as the Shipping Corporation is one of the biggest shipping lines not only in India, but in the world. It should certainly now be possible for the Corporation to decide in the light of experience about the type and size of ship and whether it should be new or old having regard to the operational requirements, the running and maintenance, cost depreciation, efficiency and economy of operations. The Committee recommend that the Corporation should draw up a phased programme for replacement of the old ships which are found to be uneconomic so that these can be disposed of at a most opportune time to the financial advantage of the Corporation.
4.	2·41	The Committee are not impressed by the plea of Government that 'it is not possible for Government or even for the Shipyard to draw up a long term production plan in terms of size and type of ships to be produced because these will depend on the requirements of the shipowners

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who are to place orders'. It has been stated that in view of rapid changes in technology and introduction of new concepts like containerisation, the uncertainty about the opening of Suez Canal etc., it is not possible for the ship-owners to decide much in advance the number, size and type of ships required by them. It has been indicated that in the absence of definite requirements, "any plans drawn by the shipyard or Government for the production of ships of particular size and type merely on a theoretical basis will serve no useful purpose. These arguments do not appear to be convincing to the Committee. The Committee recommend that if the targets fixed under the Five Year Plans for augmentation in the tonnage of the country are to succeed, Government should draw up a need based programme integrated with the capacities of the indigenous Shipyards in the country and the known demands of the Shipping enterprises in general and the Shipping Corporation of India in particular.

5. 2·42 The Committee consider that there should be close liaison and understanding between the Shipping Corporation of India and the Hindustan Shipyard and Mazagon Dock Ltd. so that the latter can take up the building of ships in accordance with the requirements of the Corporations and in the light of the latest technological developments. They suggest that a high-powered Committee having representatives of the Shipping Corporation and other Shipping interests and Hindustan Shipyard aud Mazagon Dock Ltd. may be costituted by Government in order to provide guidance and resolve without delay all problems regarding building of ships.

6. 2·56 The Committee find that since April, 1965 there had been delays in the delivery of 2 vessels by a foreign shipyard—88 days in one case and 49 days in the other. There have also been delays by the Hindustan Shipyard ranging from 103 days to 556 days. The Committee also note that though the Corporation initially recovered an amount of Rs. 20·50 lakhs as liquidated damages from Hindustan Shipyard on account of delay in the delivery of vessels, the Corporation had to refund a sum of Rs. 8,29,500 to the Hindustan Shipyard according to the award given by the arbitrator. The Committee note that the Corporation have suffered

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		a loss of profits as on account of delayed delivery of vessels (excluding grace period) by the foreign and Indian Shipyards amounting to Rs. 49·64 lakhs. Besides, delay in delivery of 4 vessels had devolved on the Corporation an additional expenditure of Rs. 60·89 lakhs by way of increase in the price charged by Hindustan Shipyard on account of devaluation. Delay in delivery of vessels not only causes loss to the Corporation but results in inconvenience to the Corporation in meeting its trade obligations and also affects its planning. Even where the Corporation is able to meet its trade commitments by chartering ships, there is indeed loss of interest on the various instalment amounts paid by the Corporation to the Shipyard on account of such delays. The Committee are glad to note that in recent contracts, some important changes have been effected to ensure timely delivery of ships, *viz.*, the restriction of the grace period from 60 days to 45 days, increasing the rate of penalty for each day of delayed delivery to Rs. 8,650 per day and deletion of the clause excluding the right of Corporation to reject the vessels in the event of delay in delivery. The Committee suggest that the effect of these changes should be watched. The Committee need hardly stress that every assistance by Government should be extended to Hindustan Shipyard to meet to the largest extent possible the demand of ships by Shipping Corporation of India. Government should particularly watch the progress made by the Hindustan Shipyard to manufacture the ships so that difficulties if any are resolved in time to adhere to the time schedule for delivery.
7.	3·14	The Committee note that the percentage of tonnage acquired or to be acquired by the Shipping Corporation of India with Shipping Development Fund Committee loans to total tonnage including tonnage on order was 73·15 as on 31-3-1971; 58·3 in respect of Scindias ; 86·4 in respect of Great Eastern; 74·27 in respect of Jayanti and 100 in respect of South India Shipping Corporation. The Committee were informed that though the percentage of utilisation of loans from SDFC by the Shipping Corporation of India was considerable as compared with companies like Great Eastern, Jayanti and South India Shipping Corporation, the proportion of tonnage acquired by the Shipping Corporation of India through the SDFC loan to

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		the total tonnage was the lowest up to 31-3-1969. The Committee, however, note that the percentage of tonnage acquired by the Shipping Corporation from the loans available from the Shipping Development Fund have increased from 39 per cent as on 31-3-1969 to 73·15 per cent on 31-3-1971. The Committee would like Shipping Corporation to make greater use of the financial assistance available from the Shipping Development Fund Committee in order to accelerate the acquisition of additional tonnage to reach the Plan target.
8.	3·32	The Committee note that in the international field, a seller's market has developed and the leading shipyards are not inclined to accept deferred payments. The Committee would like Government to take assistance of World Bank and other international institutions in order to obtain loans on liberal terms for the purposes of purchasing additional tonnage. The Committee would like to stress that the Shipping Corporation should explore carefully the possibilities of placing orders on most favourable terms with the Shipyards of proven standing in the world so as to acquire ships which would give guarantee and trouble-free service. Above all, the Shipping Corporation should pay special attention to the efficient and economic running of ships so as to keep their operating expenses to the minimum.
9.	4·9	The Committee note that the Shipping Corporation started in October, 1961 essentially as a liner shipping company. Now they have diversified their fleet. The share of cargo liners in the total fleet of the Corporation which was 82% in March, 1962 has gone down to 44% in September, 1971. The share of tankers in the total fleet which was 10% in March, 1962 has been raised to 29% in September, 1971. Similarly, the share of bulk carriers in the total fleet has gone up from 8% in March, 1967 to 31% in September 1971. The percentage of Company's share in the total tonnage of the country in respect of passenger liners, tankers, cargo liners and bulk carriers is stated to be 100%, 61·81%, 46·59% and 26·46% respectively in the overseas services. In the coastal services, the Corporation's tankers, passenger liners, and dry cargo vessels constitute 61·55%, 45·75% and 21·01% of the country's total

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		tonnage. The Committee are glad that the Corporation has thus come to acquire a predominant position in regard to cargo liners, and owns 61·81% of the country's tanker tonnage in addition to 100% international passenger liners. The Committee also find that today the Corporation has emerged as the largest bulk carrier owner (in terms of Deadweight) in the country and that these bulk carriers are earning substantial foreign exchange for the country in the international tramp market. The Committee, further note that Corporation has yet to resume tramp operation. The Committee recommend that the scope for diversification of the fleet should be kept under close and continuous study by the Government as well as the Corporation in order to keep an eye on the latest trends in the international shipping services and bring about such diversification in the field as may be called for consistent with the country's trade requirements.
10.	4·17	The Committee note that delays at the ports in the case of liner vessels of the Corporation have increased from 1328 days in 1968-69 to 1460 days lost in 1970-71. As a direct result of these delays, fixed expenses on the vessels amounting to Rs. 4·11 crores are stated to have been lost. The Committee are not impressed by the plea of the Corporation that in-port delays are a normal feature of ship-operations and that these losses are to a large extent only notional. The Committee recommend that steps should be devised to cut down such in-port delays and reduce the loss of fixed expenses on the vessels.
11.	4·18	The Committee also note that the development of ports in the country had not kept pace with the development of shipping in the country. Though the ports are yet to be developed, the Shipping Corporation of India had gone ahead and ordered large size ships. During evidence, the Committee were informed that two large tankers which the Shipping Corporation of India has, were specifically meant for Madras Harbour. But unfortunately, that harbour had not been ready in time and had fallen behind in schedule. The Visakhapatnam outer harbour is expected to be open to ships of 100,000 tonne capacity by 1974 only. In the second stage, it is expected to be open to ship

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		of 200,000 tonne. Since the existing facilities available at our ports are not adequate to accommodate large size ships, the Shipping Corporation of India had to charter them out. The Committee recommend that development of ports and ordering of ships should go hand in hand so that the Shipping Corporation does not have to lock up its funds in ships which the ports are not able to handle and which, therefore, have to be chartered out. The Government should have an integrated programme for development of shipping fleet and ports consistent with India's export and import trade. The Committee expect Government to ensure that the integrated programme is implemented in accordance with agreed schedule so as to derive the maximum benefit in the overall interest of the country's trade.
12.	5·10	The Committee hope that the Corporation will be undertaking a continuous review of the trade position and consistent with the economic viability, consider taking up new services including one to West Africa in the overall interest of development of Indian shipping and trade.
13.	5·20	The Committee note that as a result of stoppage of Yen. credit there had been a drop in the movement of better paying cargo and this has adversely affected the economics of the operations on India-Japan sector. Considering, however, the past trade achievements in the Calcutta-Japan and Bombay-Japan sectors and the potential growth of trade with Japan and the countries en-route the Committee suggest that the operations may be kept under review and suitable measures taken to augment them in the interest of foreign trade.
14.	5·34	The Committee find that although bilateral agreements between India and U.S.S.R. and India and Poland provide for equal sharing of cargo between India and these countries both in tonnage as well as freight, the liftings and earnings by Indian lines have generally been lower than their share, due to reasons beyond their control. The Committee agree that in the circumstances money pool may provide the best guarantee of maintaining parity in letter and spirit in lifting the cargoes.

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		The Committee would like Government to pursue this objective in the interest of ensuring equal share for lifting of trade cargo by Indian lines.
15.	5·47	The Committee find that there has been large increase in the number of voyage days on some of the sectors specially on India-U.K. and India-Black Sea sectors. The Committee were informed that the increase has been as a result of loading and unloading of extra cargo liftings, speed of steel carrying ships being lower, calling on way side ports or ports with very low despatch of cargo. The Committee recommend that it is essential for the economic working of the Corporation to reduce the voyage time by using the appropriate type of vessel for the nature of cargo lifted, especially for the transportation of steel items. The Corporation should also review their schedules in regard to calling at ports in out-of-the way places keeping in view the trade prospects in such ports.
16.	5·48	The Committee also note that overall delays in the ports have increased from 9·3 per cent of the voyage days in 1968-69 to 10·2 per cent in 1969-70. The largest number of days lost was due to berthing delays which were as high as 973 days in 1969-70. The Committee were informed that various measures have been instituted by Government to obviate such berthing delays e.g. expansion of existing ports and construction of new major ports under successive Five Year Plan Programmes and installation of mechanised equipment suited to each commodity. The Committee recommend that continuous efforts should be made to improve turn-round of ships by bringing down the average voyage days and the delays at the ports to improve the operating results of the Corporation.
17.	5·60	The Committee find that the profits earned by cargo liner services had come down from Rs. 538·86 lakhs in 1967-68 to Rs. 440·12 lakhs in 1970-71. There had been substantial reduction in the net profits earned on various sectors e.g., India-U.K. Continent, India-USA (Atlantic), West Coast India-Japan and East Coast India-Australia in 1970-71 as compared to 1967-68. The East Coast India-Japan Service also continued to suffer heavy losses and it incurred a loss of Rs. 13·79 lakhs in 1970-71.

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		It is significant to note that there has been reduction in profits despite the increase in freight rates on some of the sectors and consequently higher earnings during these years. It is understood that the reduction in profit is mainly on account of increase of stevedoring and other cargo handling expenses, and change in cargo mix in the country's international trade. Another reason for decline in profits is stated to be substantial reduction in revenue tons carried during 1970-71 as compared to 1967-68 e.g. in case of India-Japan and Calcutta-Australia services. In the case of India-USA (Pacific) service also which started in 1968-69, the cargo carried has come down from 17074 in 1968-69 to 15648 in 1970-71.
		The Committee would stress the imperative need for reducing the operating cost to improve the profitability of the cargo liner services and recommend that steps should be taken to improve earnings by maximum utilisation of capacities and by securing better paying cargo. A constant watch should be kept on the operation of each vessel to achieve the maximum revenue.
18.	5·70	The Committee regret to note that the Corporation has suffered a loss of, 40·60 lakhs in 1970-71 on the operation of two passenger-cum-cargo services to India-East Africa and India-Straits. The main reason advanced for the heavy loss suffered on these services is that there was a sharp increase in the standing charges due to the aging of the vessels which were built in 1948. It is surprising that although the proposal for replacement of these vessels was first mooted in 1964-65, the orders for two new passenger-cum-cargo liners were placed on Mazagon Dock Ltd., only in June, 1968 and these are scheduled to be supplied by October, 1973 and April, 1975. The delay of about 4 years in placing orders can hardly be justified. It has been admitted by the Management that there was no hope of showing good operating results until and unless these ships were replaced by new ones.
		The Committee recommend that Mazagaon Dock Ltd., may be urged to supply the ships at the earliest.
19.	5·71	Government/Corporation should ensure that orders for replacement of old ships or for adding new ships are

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		placed well in advance so that the new ships become available in time for maintaining efficient service and obviate losses.
20.	5·82	The Committee note that two large size tankers viz. 'M.T. Jawaharlal Nehru' and 'M.T. Lal Bahadur Shastri' had been acquired in September 1969 and June, 1970 much earlier than the development of port facilities and because of the delay in building up of appropriate handling/servicing facilities at the ports, the two big tankers had to be chartered to foreign oil companies, while the crude was being brought to India in foreign ships. The Committee regret to observe the lack of synchronisation between the developments of port facilities and acquisition of the tankers. The Committee would stress the need for developing necessary facilities without delay in the major ports so that the Indian tankers could be used for bringing crude to the country. Meantime the Committee note the assurance given by the Corporation that they "had made much better profits by chartering these ships away because at that time the market was good and the rates were lower and it would not have made that much profit here".
21.	6·12	The Committee find that heavy losses have been suffered on the running of the services between mainland and Andaman and Nicobar Islands. The Committee on Public Undertakings, in their Third Report in April, 1965, had observed that the arrangement under which only the operation of the vessels is looked after by the Corporation and the entire expenses incurred are re-imbursed by Government, would leave little incentive to the Corporation to ensure whether the service is being run as efficiently and economically as it should. The Committee, therefore, desired that these arrangements should be reviewed in the light of the observations made by it. In their reply in September, 1967, the Government stated that they had decided that the complete operational control over these services would be transferred to the Shipping Corporation of India. The Committee regret to note that, in spite of the above decision, even after the elapse of four years, the complete operational control of these services has not been handed

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		over to the Corporation. The Committee take a serious view of the delay in the implementation of the recommendation of the Committee which was accepted by the Government as far back as 1967.
22.	6·13	The Committee have been informed of the recent decision of Government that losses up to 80 per cent sustained by the Corporation on the services operated with the Vessels owned by the Corporation between mainland and Andaman and Nicobar Islands would be reimbursed to them. The Committee would like the working of this arrangement to be reviewed after two years to see what economies could be effected in the interest of reducing the losses. The Committee would also stress that the Shipping Corporation should popularise their services as the Andaman and Nicobar Islands have great potentialities as tourist resorts. The Committee feel that with the development of traffic it should be possible to reduce the losses.
23.	6·18	The Committee feel that the present share of oil cargo carried by Indian tankers on the coast which is only 26·7 per cent the total cargo is not adequate, and every endeavour should be made to increase it.
24.	6·32	The Committee regret to note that the operational results of 4 tankers purchased by the Corporation for coastal movement of oil products have not been satisfactory. The Corporation suffeered continuous losses on their operation from 1963-64 to 1966-67. The losses would have been continued even in 1967-68 and 1968-69 but for the profit of Rs. 19·58 lakhs and Rs. 11·56 lakhs earned by one of the tankers M.T. Desh Alok in 1967-68 and 1968-69 respectively. The Committee also note that the main reason for the losses was that the second hand vessels acquired by the Corporation especially Desh Sewak (old). and Desh Sewak (new) were laid off for repairs for long period.
		The Committee are surprised to find that in spite of the suitability and satisfactory certificate given by the technical officer after inspection, the tanker Desh Sewak (new) had to be laid off for repairs for 317 days out of the

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total period of 679 days from the date of readiness of the vessel (23-5-1967) to 31st March, 1969 i.e. for nearly 47 per cent of the available days.

The Committee are left with a feeling that sufficient care was not bestowed in conducting the original inspection of the tanker before the purchase was decided upon. The Committee also regret to observe that the very purpose of purchase of tankers to meet the need of the coastal trade especially in the context of development of refineries has not been fully achieved.

25. 6·39 The Committee find that the Committee appointed by the National Shipping Board had recommended acquisition of 23 new vessels of 14000 DWT each by 1971 to meet the requirements of coastal trade, taking the traffic projections of coastal dry cargo movement as about 3 million tonnes based on the tonnage of 2·32 million tonnes obtained in 1967.

The Committee were informed that 10 ships of 15000 DWT each are now on order in Rumania which, while being of the universal bulk carrier type, can be used for the carriage of coal etc. along the Indian coast. Out of these 10 ships on order, 4 are on Corporation's account. The Committee were informed that the total costal dry cargo movement including coal, salt etc. has come down to 1·23 million tons in 1970. The Committee would, therefore, suggest that Government should review the position and fix the requirements of additional tonnage on a more realistic basis and plan the purchase of additional vessels accordingly.

26. 7·6 The Committee find that the Fourth Five Year Plan envisages that the Indian Shipping would cater for about 40% of the country's overseas trade at the end of the Fourth Plan. However, the percentage of the foreign trade carried by Indian Shipping at the end of 1969-70 was only 21·34%. It is therefore evident that only a little over 50% of the target could be covered so far.

The Committee also note that although the cargo carried (revenue tons) by the Shipping Corporation of India has increased from 15·41 lakh tons in 1965-66 to 23·00

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		lakh tons in 1969-70, the rate of growth has been lower as compared to other Indian vessels. The share of the Corporation in quantity carried by Indian vessels had thus come down from 27·6% in 1965-66 to 21·73% in 1969-70.
		The Shipping Corporation of India has a dominant role to play in the development of Indian Shipping. The Committee expect the Corporation would provide the necessary leadership and set an example in this regard to other Indian Shipping Companies. The Committee therefore desire that the reasons for the decline in the share of the Corporation in quantity carried by Indian vessels should be investigated and the Committee informed.
27.	7·7	The Corporation should devote special attention to maximum utilisation of existing capacity and to increase its tonnage so that a larger share of the country's foreign trade is carried by Indian vessels.
28.	8·25	The Committee find that the net profit earned by the Corporation during 1968-69 and 1969-70 was only Rs. 4·89 crores and 5·51 crores respectively as against Rs. 5·71 crores earned in 1967-68. The percentage of net profit to capital employed also came down from 10 per cent achieved in 1967-68 to 6·8 per cent in 1968-69 and 5·70 per cent in 1969-70. The main reason for the decline in profits has been that the growth of operating expenses had been at a faster pace than that of operating earnings. This trend however changed in 1970-71 and the Corporation had been able to earn a profit of Rs. 6·91 crores in 1970-71 which worked out to 5·9 per cent of the capital employed. The Committee hope that the present rate of return on capital will be improved upon in coming years.
29.	8·26	The Committee note that the Corporation had taken certain measures to reduce the operating expenses by improving methods of cargo handling and readjusting tonnage of vessel according to trade pattern etc. The Committee suggest that these measures should be kept

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		under continuous review by the Corporation in order to effect improvements and economy in the operating expenses.
30.	8·27	As pointed out elsewhere in this Report, the operating results of the cargo liner services have, however, not been encouraging. There has been substantial reduction in the net profits earned/loss incurred on various sectors. The two passenger-cum-cargo services to India/East Africa and India Straits had also incurred a loss of Rs. 40·60 lakhs in 1970-71. The Committee therefore, desire that special attention should be paid to the operation of cargo liner services to improve the profitability of the Corporation.
31.	8·33	The Committee regret to note the heavy amount outstanding against Sundry Debtors of the Corporation. The outstandings which were Rs. 434 lakhs in 1966-67 representing 15·2 per cent of the operating income of that year had risen to Rs. 1,683 lakhs as on 31st March, 1971 representing 26 per cent of the operating income of the year. Similarly the outstandings over six months have also shown an increasing trend and had gone up from 3·2 per cent of the operating income in 1966-67 to 9·5 per cent in 1970-71. As compared to it the total outstandings of other three Indian Shipping Companies as on 31st September, 1971 ranged from 0·4 per cent to 6·6 per cent only of the operating income. Even making allowance for certain higher outstandings of the Corporation as compared to other Shipping Companies because of some special reasons mentioned by it, the outstandings cannot but be considered high. The heavy outstandings result in locking up of funds, loss of interest and affect the liquidity position of the Corporation. The Committee, therefore, recommend that the present procedure for billing and collection of outstandings should be reviewed and streamlined to enable prompt recovery of all dues and have an effective control over them.
32.	8·34	The Committee also suggest that Corporation should lay down in clear terms, its credit policy and ensure its strict observance both in letter and spirit. The Committee

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recommend that a careful analysis of the dues outstanding for over six months should be undertaken and the cases pursued vigorously at the highest level especially with the Government Departments so that the dues may be realised expeditiously and the financial position of the Corporation may be improved.

33. 8·40 The Committee note that there is a proposal to withdraw the development rebate allowance to Indian Shipping after May, 1974. They have been informed that prior to the introduction of the development rebate allowance, Shipping Companies like other undertakings were receiving various allowances like initial depreciation to the extent of 20 per cent of the cost of each asset, double normal depreciation etc. With the introduction of the development rebate allowance, these concessions were withdrawn. According to the Shipping Corporation of India with the withdrawal of development rebate allowance the Shipping Companies would be left with no tax-benefits at all and this would considerably affect their profitability and consequently their capacity for expansion.

Indian Shipping Companies are required to find from their own resources the first 10 per cent of the price of the ships ordered by them (5 per cent for ships built in Hindustan Ship Yard) in order to qualify for loan from Shipping Development Fund for the balance price of the ships. The withdrawal of development rebate allowance will result in reducing the internal resources and the ability of the Shipping Corporation to borrow further funds. The Committee have also been informed that even traditional shipping countries assist their shipping by means of subsidies, tax benefits etc.

The Committee understand that the Shipping Corporation has already placed sizable orders for additional ships on the undertakings that the development rebate allowance will continue to remain available. During the course of evidence, Chairman and Managing Director pleaded before the Committee that the unexpected withdrawal of the rebate from May, 1974, when most of ships for which orders have already been placed will be delivered would create a difficult situation for the Corporation. The

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		Committee recommend that in view of crucial importance of shipping for mercantile trade and as a second line of defence in emergency, the plea of the Chairman and Managing Director for continuance of the development rebate deserves sympathetic consideration. In case this is not found feasible, Government may examine the question of suitably compensating the extra liability by grant of subsidy, etc.
34.	9·14	The Committee note that out of 11 Directors of the Company, four are non-officials, out of whom two are retired Government officials. The Committee would in this connection like to invite a reference to their following recommendation in para 86 of their 3rd Report on Shipping Corporation India: "Apart from the fact that a retired official would have more time to devote to the affairs of the Corporation than a serving official, the Committee do not think that he would be able to bring in an approach radically different from that of official as could be expected of a non-official. The Committee, therefore, consider it desirable to associate a few prominent non-officials who have knowledge of the problems of shipping industry on the Board of Directors of the Corporation. Some of them might perhaps be selected from All India Organisation representing shippers." In their reply dated 29th September, 1967, to this recommendation, the Ministry had stated that Government had noted the recommendation of the Committee and will keep the same in view while making future appointments. The Committee regret to note that, in spite of the acceptance by Government of the recommendation of the Committee, two out of four non-official Directors on the Board of Directors of the Corporation, were retired Government officials and their was no member on the Board having experience of the Shipping industry. The Committee would reiterate their earlier recommendation in their 3rd Report and suggest that a few prominent non-officials, who have knowledge of the problems of Shipping industry may be represented on the Board of Directors of the Corporation.

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